

**Mersey Care Development Company 1
Limited**

Annual Report and Financial Statements

Year ended

31 March 2018

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Mersey Care Development Company 1 Limited

**Annual report and financial statements
for the year ended 31 March 2018**

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Directors

A H Naafs
I Tayler

Registered office

15th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG

Company number

08287986

Auditor

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Mersey Care Development Company 1 Limited

Directors' report for the year ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018. 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 activities

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

Results and dividends

The company's profit for the year, after taxation, was £36,225 (2017: £26,788). At 31 March 2018, the company had net assets of £7,828 (2017: £6,603).

Dividends of £35,000 were paid during the year (2017: £30,000). 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

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

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

Mersey Care Development Company 1 Limited

Directors' report
for the year ended 31 March 2018 (*continued*)

Provision of information to auditor

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 information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

This report was approved by the board on ~~13 December~~ 13 December 2018 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 2018, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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 has been prepared in accordance with applicable legal requirements.

Mersey Care Development Company 1 Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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

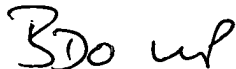
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



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

Date: 17 December 2018

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 2018

	Note	2018 £	2017 £
Continuing operations			
Revenue	4	5,229	5,065
Administrative expenses		(10,654)	(10,617)
Operating loss	5	(5,425)	(5,552)
Finance income	6	318,351	309,984
Finance costs	7	(276,701)	(277,644)
Profit before tax		36,225	26,788
Tax charge	8	-	-
Profit and total comprehensive income for the year attributable to equity holders		36,225	26,788

The notes on pages 9 to 17 form part of these financial statements.

Mersey Care Development Company 1 Limited

Statement of financial position at 31 March 2018

Company number 08287986	Note	2018 £	2017 £
Assets			
Non-current assets			
Investments	9	4,900	4,900
Other receivables	10	2,048,230	2,057,052
		<u>2,053,130</u>	<u>2,061,952</u>
Current assets			
Other receivables	10	9,349	8,259
Cash and cash equivalents	11	6,858	5,794
		<u>16,207</u>	<u>14,053</u>
Liabilities			
Current liabilities			
Trade and other payables	12	4,457	4,602
Current borrowings	13	8,822	7,748
		<u>13,279</u>	<u>12,350</u>
Net current assets		<u>2,928</u>	<u>1,703</u>
Non-current liabilities			
Non-current borrowings	13	2,048,230	2,057,052
		<u>2,048,230</u>	<u>2,057,052</u>
Net assets		<u>7,828</u>	<u>6,603</u>
Equity			
Ordinary shares	14	100	100
Share premium		4,800	4,800
Retained earnings		2,928	1,703
		<u>7,828</u>	<u>6,603</u>
Total equity		<u>7,828</u>	<u>6,603</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
13 DECEMBER 2018



I Tayler
Director

The notes on pages 9 to 17 form part of these financial statements.

Mersey Care Development Company 1 Limited

Statement of changes in equity at 31 March 2018

		Attributable to equity holders		
	Share capital £	Share premium reserve £	Retained earnings £	Total equity £
Balance 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 attributable to equity holders	-	-	36,225	36,225
Dividends paid	-	-	(35,000)	(35,000)
Balance at 31 March 2018	100	4,800	2,928	7,828
Balance at 1 April 2016	100	4,800	4,915	9,815
Changes in equity for 2016-2017				
Profit and total comprehensive income for the year attributable to equity holders	-	-	26,788	26,788
Dividends paid	-	-	(30,000)	(30,000)
Balance at 31 March 2017	100	4,800	1,703	6,603

Dividends of £35,000 (£3,500 per share) were paid during the year (2017: £30,000 (£3,000 per share)).

The notes on pages 9 to 17 form part of these financial statements.

Mersey Care Development Company 1 Limited

Statement of cash flows for the year ended 31 March 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit before tax		36,225	26,788
Adjustments for:			
Increase in other receivables		(16)	(462)
(Decrease)/Increase in trade and other payables		(145)	544
Finance income		(318,351)	(309,984)
Finance costs		276,701	277,644
Net cash generated used in operating activities		(5,586)	(5,470)
Cash flows from investing activities			
Loan note interest receivable		276,701	277,644
Dividends received		41,650	32,340
Net cash from investing activities		318,351	309,984
Cash flows from financing activities			
Interest paid		(276,701)	(277,644)
Repayment of loan notes		(7,748)	(6,805)
Loans repaid by associate entities		7,748	6,805
Dividends paid		(35,000)	(30,000)
Net cash used in financing activities		(311,701)	(307,644)
Net increase/(decrease) in cash and cash equivalents		1,064	(3,130)
Cash and cash equivalents at the beginning of the period		5,794	8,924
Cash and cash equivalents at the end of the period	11	6,858	5,794

The notes on pages 9 to 17 form part of these financial statements.

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements for the year ended 31 March 2018

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

1 Basis of preparation

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 3.

The functional currency is pounds sterling.

1.1 Standards issued and applied for the first time this period

There were no new standards or interpretations effective for the first time in the year ended 31 March 2018 that had a significant effect on the on the financial statements.

1.2 Standards and interpretations issued but not yet applied

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

- IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

The directors do not consider that the adoption of these standards will have a material impact on the financial statements.

2 Accounting policies

2.1 Investments

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

2.2 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, transaction 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.

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

2 Accounting policies (*continued*)

2.2.1 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 are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For other receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income.

2.2.2 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.

2.2.3 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.

2.3 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.

2.4 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.

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

2.5 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.

2.6 Reserves

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

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

3 Accounting estimates and judgements

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

3.1 Key sources of estimation uncertainty

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

3.2 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.

4 Revenue

	2018 £	2017 £
Revenue (all of which arises in the UK) comprises:		
Management and related services	5,229	5,065

5 Operating loss

	2018 £	2017 £
This is arrived at after charging:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	2,890	2,810

There were no employees during the year (2017: none).

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

6 Finance income	2018	2017
	£	£
Dividends received	41,650	32,340
Interest on loans due from associates	276,701	277,644
	<hr/>	<hr/>
	318,351	309,984
	<hr/>	<hr/>

7 Finance costs	2018	2017
	£	£
Interest on loans due to shareholders	276,701	277,644
	<hr/>	<hr/>

8 Tax charge	2018	2017
	£	£
UK corporation tax		
Current year	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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

	2018	2017
	£	£
Profit before tax	36,225	26,788
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	6,883	5,358
Dividend income not taxable	(7,914)	(6,468)
Movement in deferred tax asset not recognised (see below)	923	1,110
Effect of difference in current and deferred tax rates	108	-
	<hr/>	<hr/>
Tax charge	-	-
	<hr/>	<hr/>

The summer budget on 15 July 2015 announced that the rate of corporation tax will reduce to 19% as of 1 April 2017 and 18% as of 1 April 2020. During the budget on 16 March 2016, the Chancellor announced that the rate from 1 April 2020 will instead be 17% and this has now been substantively enacted on 15 September 2016. This will reduce the company's future current tax accordingly. Deferred tax has been calculated using the substantively enacted rates at the year-end.

The company had no deferred tax liability as at the end of the year and did not recognise deferred tax assets of £4,368 (2017: £3,445) in respect of losses amounting to £25,692 (2017: £20,267) that can be carried forward against future taxable income.

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

9 Investments

Cost	Shares in associates £
At 1 April 2016, 1 April 2017 and 31 March 2018	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.

Summarised financial information

	MCDC Midco Limited £	MCDC Fundco Limited £
As at 31 March 2018:		
Current assets	100	1,038,000
Non-current assets	10,000	25,906,000
Current liabilities	(100)	(1,006,000)
Non-current liabilities	-	(24,437,000)
Year ended 31 March 2018:		
Revenues	-	704,000
Profit and total comprehensive income	85,000	353,000

10 Other receivables

	2018 £	2017 £
Due after more than one year		
Amounts due from associates	2,048,230	2,057,052
Due within one year		
Amounts due from parent company	49	49
Amounts due from associates	8,822	7,748
VAT receivable	478	462
	9,349	8,259

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

11 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:

	2018 £	2017 £
Cash on hand and balances with banks	6,858	5,794
	<hr/>	<hr/>
Cash and cash equivalents	6,858	5,794
	<hr/>	<hr/>

12 Trade and other payables

	2018 £	2017 £
Due within one year:		
Trade payables	2,868	2,772
Amounts due to associates	49	49
Accruals	1,540	1,781
	<hr/>	<hr/>
	4,457	4,602
	<hr/>	<hr/>

13 Borrowings

	2018 £	2017 £
Unsecured loan notes	8,822	7,748
	<hr/>	<hr/>
Current portion of long term borrowings	8,822	7,748
	<hr/>	<hr/>
Unsecured loan notes	2,048,230	2,057,052
	<hr/>	<hr/>
Non-current borrowings	2,048,230	2,057,052
	<hr/>	<hr/>

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.

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

14 Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £ 0.10	100	100

15 Related parties

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.

	Dividends received/ (paid)		Amounts owed to related parties		Amounts owed by related parties	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Shareholders and their associates	(35,000)	(30,000)	2,057,052	2,064,800	49	49
Associate entities	41,650	32,340	49	49	2,057,052	2,064,800

	Interest received/ (paid)		Sales of services		Purchase of services	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Shareholders and their associates	(276,701)	(277,644)	5,229	5,065	-	-
Associate entities	276,701	277,644	-	-	-	-

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 10), 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 associates. The directors do not believe it is possible to accurately apportion their remuneration between the many entities they are directors of.

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

16 Financial instruments

16.1 Categories of financial assets and liabilities

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

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

Financial assets

	2018 £	2017 £
Loans and receivables:		
Other receivables	2,057,052	2,064,849
Cash and cash equivalents	6,858	5,794
	<hr/>	<hr/>
	2,063,910	2,070,643
	<hr/>	<hr/>

Financial liabilities

	2018 £	2017 £
Amortised cost:		
Unsecured loan notes	2,057,052	2,064,800
Trade and other payables	4,457	4,602
	<hr/>	<hr/>
	2,061,509	2,069,402
	<hr/>	<hr/>

16.2 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.

Other receivables primarily comprise of amounts due from the company's associate. Therefore credit risk is considered to be low.

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

Mersey Care Development Company 1 Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

16 Financial instruments (continued)

16.2 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company has insufficient financial resources available to meet its obligations as they fall due. Management review 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 2018 and 31 March 2017.

2018	Less than 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
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
	<u>73,246</u>	<u>215,660</u>	<u>1,137,797</u>	<u>6,252,920</u>	<u>7,679,623</u>
2017	Less than 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
Financial liabilities					
Long term borrowings from parent company	69,048	215,401	1,137,796	6,537,369	7,959,614
Other payables	4,602	-	-	-	4,602
	<u>73,650</u>	<u>215,401</u>	<u>1,137,796</u>	<u>6,537,369</u>	<u>7,964,216</u>

Interest rate risk

The company's exposure to market risk for changes in interest rates is considered to be very small, as the shareholder loans are at fixed rates. 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 in the company's associate and the related loan repayments from the associate are set at a level that will ensure that repayments of borrowings can be met as they fall due. Other expenses are met by short-term borrowings from shareholders.

Mersey Care Development Company 1 Limited

Mersey Care Development Company Limited
15th Floor, Cobalt Square
83-85 Hagley Road
Birmingham
B16 8QG

TEL: 0121 456 5662
FAX: 0121 452 5619

*BDO LLP
Two Snowhill
Birmingham
B4 6GA*

Dear Sirs

Financial Statements of Mersey Care Development Company 1 Limited for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the financial statements of Mersey Care Development Company 1 Limited ("financial statements") for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other directors and officials of the company.

We have fulfilled our responsibilities as directors for the preparation and presentation of the financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the company as of 31 March 2018 and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which our business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

Registered Office:
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Registered in England and Wales,
Registration number 07334967

Mersey Care Development Company Limited

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Other than disclosed in the notes to the financial statements, there were no loans, transactions or arrangements between the company and its directors and their connected persons at any time in the year which were required to be disclosed.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of IFRS.

The disclosures in the financial statements concerning the controlling party of the business are accurate.

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

We consider that the company is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. In reaching this conclusion we have taken into account all relevant matters of which we are aware, including the availability of working capital and have considered a future period of at least one year from the date on which the financial statements will be approved.

We confirm that we consider that we do not have control or shared control over MCDC Midco Limited or MCDC Fundco Limited, and that although there are certain reserved matters set out in the shareholders agreement of MCDC Fundco the nature of these when considered in the context of the nature and purpose of MCDC Fundco is such that these are considered protective rights and that Liverpool and Sefton Health Partnership Limited have overall control of that entity.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions. We attach an appendix showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

Mersey Care Development Company Limited

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Signed on behalf of the board of directors of Mersey Care Development Company 1 Limited

Date:

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