

Sandwell Fundco 3 Limited

Directors' Report and Financial Statements

Year Ended

31 March 2020

Company Number 04928336

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Sandwell Fundco 3 Limited

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Company Information

Directors	M W Grinonneau S F Murphy C S E Douglass J D Sutcliffe D M Vermeer
Registered number	04928336
Registered office	9th Floor Cobalt Square 83-85 Hagley Road Birmingham B16 8QG
Independent auditors	BDO LLP Two Snowhill Birmingham B4 6GA

Sandwell Fundco 3 Limited

Directors' Report For the Year Ended 31 March 2020

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

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

The company manages four health centres under the Government's LIFT Initiative.

Results and dividends

The profit for the year, after taxation, amounted to £71,000 (2019 as restated - loss of £64,000).

The directors do not recommend the payment of a dividend (2019 - £Nil).

Directors

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

M W Grinonneau
G W Mackinlay (resigned 22 May 2019)
S F Murphy
C S E Douglass
J D Sutcliffe (appointed 22 May 2019)
D M Vermeer

Going concern

At the year-end, the company had net assets of £255,000 (2019 as restated - £184,000). The company has net current assets (excluding debtors due after more than one year) of £604,000 (2019 - £520,000), including cash of £516,000 (2019 - £628,000).

The COVID-19 pandemic is unprecedented in its scale and is having significant impact on the UK economy, the full extent of which is unknown at this time. This creates uncertainty in respect of all future business plans, but at the time of writing the directors do not believe there is any going concern risk to the company, as its major Tenant, Community Health Partnerships (CHP) has formally written to all LIFT Companies on 27 March 2020, to confirm that it will be following the Government's 'Procurement Policy Note 02/20: Supplier relief due to COVID-19' (published on 20 March 2020), by ensuring that all lease payments will be paid as due.

One possible area of risk is that the FM service provider struggles to comply with its contractual obligations as a result of the pandemic leading to a shortage of maintenance staff or creating associated issues in their supply chain. This situation is being closely monitored to ensure that we 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. To assist with reducing maintenance visits to LIFT facilities and to support the Government's social distancing objective, CHP have requested that only those maintenance tasks that are critical to the continuity of clinical service provision should be prioritised and other non-essential tasks can be rescheduled (without applying any deductions or accruing any service failure points for these non-essential services). Furthermore, CHP have confirmed that they will relax any contractual obligations / performance failures that could be incurred as a result of a COVID-19 outbreak at any LIFT facility.

Sandwell Fundco 3 Limited

Directors' Report (continued) For the Year Ended 31 March 2020

Going concern (continued)

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.

Qualifying third party indemnity provisions

The directors of the company have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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 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.

Sandwell Fundco 3 Limited

Directors' Report (continued) For the Year Ended 31 March 2020

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 30 November 2020 and signed on its behalf.



C S E Douglass
Director

Sandwell Fundco 3 Limited

Independent Auditors' Report to the Members of Sandwell Fundco 3 Limited

Opinion

We have audited the financial statements of Sandwell Fundco 3 Limited ("the company") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, statement of changes in equity, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

Sandwell Fundco 3 Limited

Independent Auditors' Report to the Members of Sandwell Fundco 3 Limited (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 prepare the financial statements in accordance with the small companies regime and 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.

Sandwell Fundco 3 Limited

Independent Auditors' Report to the Members of Sandwell Fundco 3 Limited (continued)

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

1 December 2020

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

Sandwell Fundco 3 Limited

Statement of Comprehensive Income For the Year Ended 31 March 2020

			As restated - note 23
	Note	2020 £000	2019 £000
Revenue	4	724	336
Cost of sales		(422)	(143)
Gross profit		302	193
Administrative expenses		(129)	(186)
Operating profit	5	173	7
Interest receivable and similar income	7	485	510
Interest payable and similar charges	8	(500)	(523)
Profit/(loss) before tax		158	(6)
Tax on profit/(loss)	9	(87)	(58)
Profit/(loss) for the financial year		71	(64)
Total comprehensive income/(loss) for the year		71	(64)

The results for the current and previous financial year derive from continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

Sandwell Fundco 3 Limited

Registered number:04928336

Balance Sheet As at 31 March 2020

				As restated - note 23	As restated - note 23
	Note	2020 £000	2020 £000	2019 £000	2019 £000
Current assets					
Debtors: amounts falling due within one year	10	888		497	
Debtors: amounts falling due after more than one year	10	8,883		9,188	
Cash at bank and in hand	3,12	516		628	
		<u>10,287</u>		<u>10,313</u>	
Creditors: amounts falling due within one year	13	(800)		(605)	
Net current assets			<u>9,487</u>		<u>9,708</u>
Total assets less current liabilities			<u>9,487</u>		<u>9,708</u>
Creditors: amounts falling due after more than one year	14		(8,763)		(9,187)
Provision for liabilities	16		(469)		(337)
Net assets			<u><u>255</u></u>		<u><u>184</u></u>
Capital and reserves					
Called up share capital	18		1		1
Profit and loss account			254		183
			<u><u>255</u></u>		<u><u>184</u></u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2020.



C S E Douglass
Director

The notes on pages 10 to 23 form part of these financial statements.

Sandwell Fundco 3 Limited

Statement of Changes in Equity For the Year Ended 31 March 2020

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2019 (as previously stated)	1	(30)	(29)
Prior year adjustment - note 23	-	213	213
At 1 April 2019 (as restated - note 23)	1	183	184
Comprehensive income for the year			
Profit for the year	-	71	71
Total comprehensive income for the year	-	71	71
At 31 March 2020	1	254	255

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

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2018 (as previously stated)	1	60	61
Prior year adjustment - note 23	-	187	187
At 1 April 2018 (as restated - note 23)	1	247	248
Comprehensive loss for the year			
Loss for the year (as restated - note 23)	-	(64)	(64)
Total comprehensive loss for the year	-	(64)	(64)
At 31 March 2019	1	183	184

The notes on pages 10 to 23 form part of these financial statements.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

1. General information

Sandwell Fundco 3 Limited is a private company limited by shares incorporated in England and Wales. The address of the registered office of the company is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

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.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The functional currency is pounds sterling and rounded to the nearest £'000.

In preparing the separate financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the company;
- The company has taken advantage of exemption, not to disclose related party transactions between members wholly owned members of a group.

2.2 Going concern

At the year-end, the company had net assets of £255,000 (2019 as restated - £184,000). The company has net current assets (excluding debtors due after more than one year) of £604,000 (2019 - £520,000), including cash of £516,000 (2019 - £628,000).

The COVID-19 pandemic is unprecedented in its scale and is having significant impact on the UK economy, the full extent of which is unknown at this time. This creates uncertainty in respect of all future business plans, but at the time of writing the directors do not believe there is any going concern risk to the company, as its major Tenant, Community Health Partnerships (CHP) has formally written to all LIFT Companies on 27 March 2020, to confirm that it will be following the Government's 'Procurement Policy Note 02/20: Supplier relief due to COVID- 19' (published on 20 March 2020), by ensuring that all lease payments will be paid as due.

One possible area of risk is that the FM service provider struggles to comply with its contractual obligations as a result of the pandemic leading to a shortage of maintenance staff or creating associated issues in their supply chain. This situation is being closely monitored to ensure that we 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. To assist with reducing maintenance visits to LIFT facilities and to support the Government's social distancing objective, CHP have requested that only those maintenance tasks that are critical to the continuity of clinical service provision should be prioritised and other non-essential tasks can be rescheduled (without applying any deductions or accruing any service failure points for these non-essential services). Furthermore, CHP have confirmed that they will relax any contractual obligations / performance failures that could be incurred as a result of a COVID-19 outbreak at any LIFT facility.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.2 Going concern (continued)

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.

2.3 Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

Financial assets measured at amortised cost comprise cash at bank, trade debtors, finance debtors, other debtors and amounts owed by group undertakings.

2.4 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Financial liabilities measured at amortised cost comprise bank and other loans, trade creditors, other creditors, amounts owed to group undertakings and accruals.

2.5 Revenue

2.5.1 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 FRS 102 s34. 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 FRS 102 s34. 14, such infrastructures are not recognised in assets of the operator as property, plant and equipment but in financial assets ('financial asset model').

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.5.2 '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 FRS 102 s34. 14 are recorded in the balance sheet under the heading finance debtors and measured at amortised cost.

Pursuant to section 23 of FRS 102, revenue associated with this financial asset model comprises service remuneration which relates to facilities management, lifecycle maintenance and ad hoc property related income. Service remuneration is recognised as services are delivered.

Costs recognised in respect of service remuneration activities in advance of the work being undertaken are recognised as an asset within 'Other debtors' where the asset can be reliably measured and it is considered probable that those costs give rise to future revenue under the concession arrangements.

2.5.3 Other revenue items

Cost recoveries income is recognised to off-set costs as those costs are incurred.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

2.6 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have been originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.7 Provisions

The company has recognised provisions for liabilities of uncertain timing or amount in respect of lifecycle obligations existing at the reporting date. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Discounting, to reflect current market assessments of the time value of money and risks specific to the liability, is considered immaterial given the company expects to settle the obligations within the next financial year.

2.8 Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

3. Accounting estimates and judgments

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

3.1 Key sources of estimation uncertainty

Financial asset (notes 11 and 23) – 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 is based on the residual value allocated to the property in the financial models, which form the basis for the calculation of rent charged to the lessee and which were assessed at financial close.

The directors have applied their judgement in determining the valuation policy and estimate, and are of the opinion that the values and assumptions currently used in the financial model continue to be appropriate. They continue to take a regular review of these assumptions, and will review and update this assessment as the position becomes less uncertain in future periods.

Financial asset interest rate (notes 7 and 11) – The financial asset interest income is based on the weighted average cost of debt of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2020 is 5.19% (2019: 5.19%) per annum.

RPI index (note 11) - The finance debtors predict a level of RPI increases for future receipts and expenditure. 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/expenditure and thus increase/reduce the service margin (see below), which affects the amount of revenue recognised in any given period.

Service margin (notes 4, 11 and 23) - After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2020 is 40.74% (2019 as restated: 34.86%) per annum. It is the policy of the directors that the service margin is reviewed annually on 1 April each year to generate a new service margin rate, which is to be applied in the proceeding financial year.

Lifecycle provision (note 16) - Provision is made in respect of lifecycle repairs/replacements required as at the reporting date, which the company is obligated to carry out under its lease agreements. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

3. Accounting estimates and judgments (continued)

3.2 Critical judgements

Concession arrangements - The concession arrangements undertaken by the company are considered to fall within the scope of section 34 of FRS 102 "Service Concession Arrangements", as described in the turnover note. This judgement has been based on a consideration of the nature and terms of the agreements and, in all contracts, the existence of an option for the grantor to purchase the properties at the end of the contract.

4. Revenue

An analysis of turnover by class of business is as follows:

	2020 £000	As restated - note 23 2019 £000
Service remuneration	685	329
Cost recoveries	39	7
	<u>724</u>	<u>336</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>3</u>	<u>3</u>

The company had no employees during the year or the prior year.

6. Directors' remuneration

The directors did not receive any remuneration from the company for their services to the company during the year or the previous year. The directors are remunerated by the shareholding companies for their services to the group as a whole. It is not practicable to apportion their remuneration for their services to this company.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

7. Interest receivable and similar income

	2020 £000	As restated - note 23 2019 £000
Bank interest receivable	3	2
Financial asset interest receivable	482	508
	<u>485</u>	<u>510</u>

8. Interest payable and similar expenses

	2020 £000	2019 £000
Bank loan interest payable	382	402
Amortisation of loan issue costs	5	5
Loan note interest payable	113	116
	<u>500</u>	<u>523</u>

9. Taxation

	2020 £000	As restated - note 23 2019 £000
Deferred tax		
Origination and reversal of timing differences - current year	63	58
Effect of tax rate change on opening balance	24	-
Taxation on profit/(loss) on ordinary activities	<u>87</u>	<u>58</u>

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	As restated - note 23 2019 £000
Profit/(loss) on ordinary activities before tax	158	(6)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	30	(1)
Effects of:		
Expenses not deductible	33	59
Change in tax rate	24	-
Total tax charge for the year	87	58

Factors that may affect future tax charges

The main rate of corporation tax in force at the Balance Sheet date was 19%. A resolution to retain the corporation tax rate from 1 April 2020 at 19% was passed on 17 March 2020, and is enacted from this date.

The deferred taxation liability has therefore been calculated at 19%, being the rate substantively enacted at the Balance Sheet date.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

10. Debtors

		As restated - note 23
	2020	2019
	£000	£000
Due after more than one year		
Finance debtors (note 11)	8,883	9,188
	2020	2019
	£000	£000
Due within one year		
Trade debtors	369	-
Finance debtors (note 11)	360	379
Amounts owed by related parties	-	3
Other debtors	158	112
Prepayments and accrued income	1	3
	888	497

Other debtors represent costs which give rise to future revenue under the concession arrangements.

11. Financial assets

		As restated - note 23
	2020	2019
	£000	£000
Balance at 1 April	9,567	10,201
Income recognised in the income statement		
- service remuneration (note 4)	685	329
- interest income (note 7)	482	508
	1,167	837
Other movements		
- cash received	(1,491)	(1,471)
	(1,491)	(1,471)
Balance at 31 March	9,243	9,567

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

11. Financial assets (continued)

	2020	As restated - note 23 2019
	£000	£000
Analysis of expected net receipts timing:		
Within one year	360	379
After more than one year	8,883	9,188
Balance at 31 March	9,243	9,567

12. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	516	628

Included in cash at bank and in hand are bank balances totalling £106,000 (2019: £81,000) which are restricted for use in pre-described circumstances by the bank.

13. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Bank loans (note 15)	417	399
Trade creditors	65	90
Amounts owed to group undertakings	92	6
Amounts owed to related parties (note 15)	25	13
Other taxation and social security	46	56
Accruals and deferred income	155	41
	800	605

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

	2020	2019
	£000	£000
Bank loans (note 15)	7,877	8,293
Amounts owed to related parties (note 15)	886	894
	8,763	9,187

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

15. Loans payable

(a) Bank loans

	2020 £000	2019 £000
The bank loans are repayable as follows		
Within one year	423	404
Between one and two years	454	423
Between two and five years	1,281	1,363
After more than five years	6,235	6,607
	<u>8,393</u>	<u>8,797</u>

Bank borrowings relate to a Senior Debt Facility. The amounts drawn under the facility are repayable on an agreed repayment profile of three monthly instalments that commenced on 30 September 2013 and are due to end in March 2038.

Interest charges on amounts drawn down under both the current and previous facility are based on a long term gilt-based loan of 4.42% per annum.

The Senior Facility is secured by a first floating charge over the assets of the company.

Issue costs of £99,000 (2019 - £105,000) are offset against the bank loans and will be amortised over the duration of the facilities.

(b) Subordinated loan notes due to related parties

	2020 £000	2019 £000
The loan notes are repayable as follows		
Within one year	15	13
Between one and two years	17	15
Between two and five years	64	56
After more than five years	805	823
	<u>901</u>	<u>907</u>

The loan notes carry a coupon of 12.52% and are repayable in the quarter ending December 2038. The loan notes are unsecured.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

16. Provisions

	Lifecycle provision £000	Deferred taxation (note 17) £000	Total £000
At 1 April 2019	112	225	337
Charged to profit or loss	45	87	132
At 31 March 2020	157	312	469

Lifecycle provision is made in respect of lifecycle repairs/replacements required as at the reporting date, which the company is obligated to carry out under its lease agreements. The provision represents management's best estimate of the full replacement cost of all items identified as requiring upgrades as at the year-end.

17. Deferred tax liability

	2020 £000	As restated - note 23 2019 £000
At beginning of year	(225)	(173)
Charged to profit or loss	(87)	(52)
At end of year	(312)	(225)

An analysis of the deferred tax liability included in the financial statements is as follows:

	2020 £000	2019 £000
Fixed asset timing differences	(418)	(356)
Losses and other deductions	106	131
	(312)	(225)

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1,000 Ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

19. Financial instruments

	2020 £000	As restated - note 23 2019 £000
Financial assets		
Financial assets measured at amortised cost	<u>10,286</u>	<u>10,310</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>9,611</u>	<u>9,836</u>

20. Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Sandwell Midco 3 Limited, which is in turn a wholly owned subsidiary of Sandwell Estates Partnership Limited. Both companies are registered in England and Wales.

As at 31 March 2020, Sandwell Estates Partnership Limited was owned by Primary Plus Holdings Limited (60%) and Community Health Partnerships Limited (40%), which are both registered in England and Wales.

The directors are of the opinion that there is no ultimate parent undertaking or controlling party by virtue of the company's joint ownership and control.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

21. Related party transactions

The company has taken advantage of the exemption provided in FRS 102 not to disclose transactions with companies within the group of which it is a member, where the transactions occur between entities which are wholly owned members of that group.

Key management personnel include all directors who together have authority and planning, directing and controlling the activities of the company. See note 6 for details of directors' remuneration.

The directors consider the material transactions undertaken by the company during the year with related parties were as follows:

	2020 £000	2019 £000
Sales to:		
Community Health Partnerships Limited	202	174
Balances due to:		
Community Health Partnerships Limited	360	363
Primary Plus Holdings Limited	541	544
Interest charged to:		
Community Health Partnerships Limited	46	46
Primary Plus Holdings Limited	67	70

22. Other commitments

On completion of the buildings, under terms of contracts made, the company is committed to fixed payments, which increase by indexation, for Facilities Management for a 25 year period. The current year payment for these services amounted to £212,000 (2019: £193,000).

Under the terms of management agreements with its parent company, the company is committed to the payment of fixed and variable fees based on services provided in the contract term. The current year payment for these services amounted to £65,000 (2019: £63,000).

23. Prior year adjustment

An issue was identified in respect of the calculation of the service concession arrangement residual value, and, consequently, the margin for calculating the service remuneration. On adoption of FRS 102 in 2014, the directors adopted a policy of reducing the estimated residual value(s) by the service margin so as to adopt a prudent position in respect of revenues, and profits, recognised during the concession period. However, this resulted in a material understatement of the fair value of revenues generated to date. As such, the directors' best estimate of the residual values has been fully reflected in the financial statements, which has resulted in a higher margin being calculated and, consequently, additional service remuneration, and additional finance asset interest, being recognised. An adjustment has been processed to correct the historic position.

Sandwell Fundco 3 Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

23. Prior year adjustment (continued)

The impact is as follows:

	Equity as at 1 April 2018 £000	Equity as at 31 March 2019 £000	Profit for year ended 31 March 2019 £000
As previously stated	61	(29)	(90)
Prior year adjustment:			
Debtors: due after more than one year - Financial assets	205	234	-
Provisions - Deferred taxation	(18)	(21)	-
Revenue	-	-	19
Financial asset interest receivable	-	-	10
Deferred taxation charge	-	-	(3)
	<u>248</u>	<u>184</u>	<u>(64)</u>