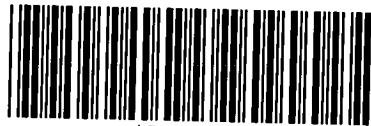


COMPANY REGISTRATION NUMBER: 07652736

NNT Lift Company (Fundco 2) Limited
Annual Report and Financial Statements
31 March 2021

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NNT Lift Company (Fundco 2) Limited

Annual Report and Financial Statements

Year Ended 31 March 2021

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NNT Lift Company (Fundco 2) Limited

Officers and Professional Advisers

The Board of Directors

M Percy
J Gordon
G Steven
I Betham
N Arif

Company Secretary

Infrastructure Managers Limited

Registered Office

Cannon Place
78 Cannon Street
London
EC4N 6AF

Independent Auditors

Johnston Carmichael LLP
Chartered Accountants & Statutory Auditors
7-11 Melville Street
Edinburgh
EH3 7PE

Bankers

Barclays Bank Plc
Market Place
Leicester
LE87 2BB

NNT Lift Company (Fundco 2) Limited

Directors' Report

Year Ended 31 March 2021

The directors present their report and the audited Annual Report and Financial Statements of NNT Lift Company (Fundco 2) Limited ("the Company") for the year ended 31 March 2021.

Principal Activities

The principal activities of the Company are the development and provision of high quality accommodation and services to the health and social care community in the Newcastle and North Tyneside area. The agreement was entered into under the Local Improvement Finance Trust Scheme.

Performance Review

The (loss)/ profit for the financial year, after taxation, amounted to £(30,817) (2020: £46,364).

The loss for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

The directors have considered the future financial impact to the Company of the Coronavirus, taking into account the sources of income and additional expenditure, if any. It is their view that, due to the income being availability based and being due from the authority the risk of non-payment is considered remote, therefore the income to the project will not be impacted. Alongside this the expected expenditure should not see a material variation from its current levels and key suppliers (primarily the facilities manager) are expected to continue to be able to service the project. Although the likely full impact is unknown, it is not expected to materially impact on the operations or the financial position of the Company.

Key Performance Indicators

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the Group loan agreement. At the year end the ratio was 2.33 (2020: 2.22).

NNT Lift Company (Fundco 2) Limited

Directors' Report *(continued)*

Year Ended 31 March 2021

Going Concern

The financial statements are prepared on a going concern basis notwithstanding net liabilities of £1,634,337 (2020: £1,603,520) which the directors believe to be appropriate for the following reasons. The Company meets its capital expenditure requirements through long term bank loans agreed at the beginning of the project as part of the government sponsored Local Improvement Finance Trust (LIFT) initiatives.

The nature of the Company's business is such that there are considerable cash outflows during the construction phase of the project. Now operational, the fixed assets generate cash although the Statement of Comprehensive Income reflects losses due to depreciation charges. The directors have prepared projected cash flow information for the entire Local Improvement Finance Trust (LIFT) contract which covers a period of at least twelve months from the date of approval of the financial statements.

On the basis of this cash flow information, the directors consider that the Company will continue to operate within the long term facilities currently agreed. In particular during the operational phase of the project, sufficient cash flow is projected to be generated to allow the Company to meet its liabilities as they fall due for payment.

Based on the future cash flows and available loan facilities, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that result from the basis of preparation being inappropriate.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future. In arriving at this conclusion, the directors have considered the future financial impact to the Company of COVID-19 taking into account any impact on future operations and based on their risk assessment are satisfied that this will not directly impact the Company's ability to meet its liabilities as they fall due over the next 12 months.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

M Percy	
J Gordon	
I Betham	
G Steven	(Appointed 1 July 2021)
N Arif	(Appointed 20 October 2021)
R Coates	(Resigned 1 October 2021)
R Christie	(Resigned 1 July 2021)

Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

NNT Lift Company (Fundco 2) Limited

Directors' Report *(continued)*

Year Ended 31 March 2021

Financial Instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the income is ultimately derived from established public sector counterparties.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of a fixed rate loan.

Cash Flow and Liquidity risk

Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Qualifying Third Party Indemnity Provisions

During the year, and at the date of this report, the Company has in place qualifying third party indemnity provisions for the benefit of its directors.

Small Company Provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The auditors, Johnston Carmichael LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 22 December 2021 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

NNT Lift Company (Fundco 2) Limited

Directors' Responsibilities Statement

Year Ended 31 March 2021

The directors are responsible for preparing the Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and 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.

NNT Lift Company (Fundco 2) Limited

Independent Auditor's Report to the Members of NNT Lift Company (Fundco 2) Limited

Opinion

We have audited the financial statements of NNT Lift Company (Fundco 2) Limited (the 'Company') for the year ended 31 March 2021 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including 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'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021, and of its loss 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

NNT Lift Company (Fundco 2) Limited

Independent Auditor's Report to the Members of NNT Lift Company (Fundco 2) Limited *(continued)*

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Matters on Which We are Required to Report by Exception

In the light of our 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.

NNT Lift Company (Fundco 2) Limited

Independent Auditor's Report to the Members of NNT Lift Company (Fundco 2) Limited *(continued)*

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

Extent to Which an Audit is Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

NNT Lift Company (Fundco 2) Limited

Independent Auditor's Report to the Members of NNT Lift Company (Fundco 2) Limited (continued)

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.


We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- reviewing minutes of meetings of those charged with governance;
- reviewing the level of and reasoning behind the Company's procurement of legal and professional services; and
- performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.



Irvine Spowart (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory auditor

22 December 2021

7-11 Melville Street
Edinburgh
EH3 7PE

NNT Lift Company (Fundco 2) Limited

Statement of Comprehensive Income

Year Ended 31 March 2021

		2021	2020
	Note	£	£
Turnover	4	855,812	838,086
Cost of sales		<u>(81,679)</u>	<u>(77,764)</u>
Gross profit		774,133	760,322
Administrative expenses		<u>(389,732)</u>	<u>(416,031)</u>
Operating profit	5	384,401	344,291
Interest receivable and similar income	7	354	2,610
Interest payable and similar expenses	8	<u>(386,673)</u>	<u>(397,789)</u>
Loss before taxation		<u>(1,918)</u>	<u>(50,888)</u>
Tax on loss	9	<u>(28,899)</u>	<u>97,252</u>
(Loss)/profit for the financial year and total comprehensive (expense)/income		<u>(30,817)</u>	<u>46,364</u>

All the activities of the Company are from continuing operations.

The notes on pages 13 to 23 form part of these Financial Statements.

NNT Lift Company (Fundco 2) Limited

Statement of Financial Position

As at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	10	5,185,319	5,489,918
Current assets			
Debtors: amounts falling due within one year	11	48,116	399,040
Cash at bank and in hand		670,207	314,240
		<u>718,323</u>	<u>713,280</u>
Creditors: amounts falling due within one year	12	<u>(426,781)</u>	<u>(396,718)</u>
Net current assets		<u>291,542</u>	<u>316,562</u>
Total assets less current liabilities		<u>5,476,861</u>	<u>5,806,480</u>
Creditors: amounts falling due after more than one year	13	<u>(6,927,178)</u>	<u>(7,219,836)</u>
Provisions for liabilities			
Taxation including deferred taxation	14	(158,310)	(160,164)
Other provisions	14	(25,710)	(30,000)
		<u>(184,020)</u>	<u>(190,164)</u>
Net liabilities		<u>(1,634,337)</u>	<u>(1,603,520)</u>
Capital and reserves			
Called up share capital	16	1	1
Retained earnings	17	(1,634,338)	(1,603,521)
Total shareholders' deficit		<u>(1,634,337)</u>	<u>(1,603,520)</u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to the small companies regime.

The Financial Statements were approved by the board of directors and authorised for issue on 22 December 2021, and are signed on behalf of the board by:

Gary Steven

Gary Steven (Dec 22, 2021 09:13 GMT)

G Steven
Director

Company registration number: 07652736

The notes on pages 13 to 23 form part of these Financial Statements.

NNT Lift Company (Fundco 2) Limited

Statement of Changes in Equity

Year Ended 31 March 2021

	Called up share capital £	Retained earnings £	Total £
At 1 April 2019	1	(1,649,885)	(1,649,884)
Profit for the financial year	—	46,364	46,364
Total comprehensive income for the year	—	46,364	46,364
At 31 March 2020	1	(1,603,521)	(1,603,520)
Loss for the financial year	—	(30,817)	(30,817)
Total comprehensive expense for the year	—	(30,817)	(30,817)
At 31 March 2021	<u>1</u>	<u>(1,634,338)</u>	<u>(1,634,337)</u>

The notes on pages 13 to 23 form part of these Financial Statements.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 March 2021

1. General Information

NNT Lift Company (Fundco 2) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The principal activities of the Company are the development and provision of high quality accommodation and services to the health and social care community in the Newcastle and North Tyneside area. The agreement was entered into under the Local Improvement Finance Trust Scheme.

The Company's functional and presentation currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest pound.

2. Statement of Compliance

The individual financial statements of NNT Lift Company (Fundco 2) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A have been applied, other than where additional disclosure is required to show a true and fair view.

3. Accounting Policies

(a) Basis of preparation

These financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting Policies *(continued)*

(b) Going concern

The financial statements are prepared on a going concern basis notwithstanding net liabilities of £1,634,337 (2020: £1,603,520) which the directors believe to be appropriate for the following reasons. The Company meets its capital expenditure requirements through long term bank loans agreed at the beginning of the project as part of the government sponsored Local Improvement Finance Trust (LIFT) initiatives.

The nature of the Company's business is such that there are considerable cash outflows during the construction phase of the project. Now operational, the fixed assets generate cash although the Statement of Comprehensive Income reflects losses due to depreciation charges. The directors have prepared projected cash flow information for the entire Local Improvement Finance Trust (LIFT) contract which covers a period of at least twelve months from the date of approval of the financial statements.

On the basis of this cash flow information, the directors consider that the Company will continue to operate within the long term facilities currently agreed. In particular during the operational phase of the project, sufficient cash flow is projected to be generated to allow the Company to meet its liabilities as they fall due for payment.

Based on the future cash flows and available loan facilities, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that result from the basis of preparation being inappropriate.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future. In arriving at this conclusion, the directors have considered the future financial impact to the Company of COVID-19 taking into account any impact on future operations and based on their risk assessment are satisfied that this will not directly impact the Company's ability to meet its liabilities as they fall due over the next 12 months.

(c) Disclosure exemptions

The Company has taken advantage of the exemption in FRS 102 Section 7 'Statement of Cash Flows' part 1B, which states that a small company is not required to prepare a cash flow statement.

The Company has also taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting Policies *(continued)*

(d) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments

The judgments (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

i) Deferred taxation

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Judgment is required in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgment requires the Directors to consider forecast information over a long time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at cost less accumulated depreciation and impairment losses, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

ii) Residual values

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of handover, for the asset as if it were at the age and in the condition expected at the end of its useful life.

(e) Revenue recognition

Turnover represents lease income derived from leases of high quality accommodation and services to the health and social care community and services rendered, excluding VAT. Turnover is recognised in line with lease agreements and as services are provided.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting Policies *(continued)*

(f) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case tax is also recognised in Other Comprehensive Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit/(loss) for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(g) Lifecycle

The Company is responsible for the lifecycle costs associated with its principal activity, however risk here is mitigated by passing on lifecycle risk to a third party facilities management company. Lifecycle costs are fixed fees indexed annually as set out in the estate management contracts relating to the individual properties. There is no underspend held in the project.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting Policies *(continued)*

(h) Tangible assets

The company is accounting for the concession asset based on the inability to substantially transfer all the risks and rewards of ownership to the customer with the cost incurred in the design and construction of the assets being treated as a fixed asset.

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

General and specific borrowing costs, such as interest, directly attributable to the acquisition and construction of the land and buildings are capitalised and added to the cost until such time as the asset is ready for its intended use or sale.

(i) Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset. Land is not depreciated.

The charge for depreciation is based on the following assumptions:

Freehold Property	Over the life of the project	Straight Line
Plant & Machinery	7 years	Reducing Balance
Interest	25 years	Straight Line

Freehold Property is depreciated until the point of reaching the estimated residual value at the end of the 25 year contract.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

The company is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £10,568 (2020: £8,503).

(k) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting Policies *(continued)*

(l) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in Statement of Comprehensive Income unless the provision was originally recognised as part of the cost of an asset.

(m) Financial instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS 102, in full, to all of its financial instruments.

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are initially recognised at the present value of cash payable to the lender and are subsequently measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. The effective interest rate amortisation is included in interest payable and similar charges in the Statement of Comprehensive Income.

Other financial instruments are subsequently measured at fair value, with any changes recognised in Statement of Comprehensive Income.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Rendering of services	<u>855,812</u>	<u>838,086</u>

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2021	2020
	£	£
Depreciation of tangible assets	304,599	326,492
Fees payable for the audit of the annual report and financial statements	<u>9,930</u>	<u>9,150</u>

Included in the fee above is £3,200 (2020: £3,100) for taxation compliance services. Auditor's remuneration is payable to Johnston Carmichael LLP.

6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2020: nil). The directors did not receive any remuneration from the Company during the year (2020: £nil). Fees paid to investors in respect of their Directors are £15,000 (2020: £12,000) to NNT Lift Company Limited for the provision of directors services.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

7. Interest Receivable and Similar Income

	2021	2020
	£	£
Interest on cash and cash equivalents	<u>354</u>	<u>2,610</u>

8. Interest Payable and Similar Expenses

	2021	2020
	£	£
Interest on bank loans and overdrafts	309,620	320,842
Interest due to Group undertakings	<u>77,053</u>	<u>76,947</u>
	<u>386,673</u>	<u>397,789</u>

9. Tax on Loss

Major components of tax expense/(income)

	2021	2020
	£	£
Current tax:		
UK current tax expense/(income)	30,753	(17,183)
Adjustments in respect of prior periods	–	(156,706)
Total current tax	<u>30,753</u>	<u>(173,889)</u>
Deferred tax:		
Origination and reversal of timing differences	<u>(1,854)</u>	<u>76,637</u>
Tax on loss	<u>28,899</u>	<u>(97,252)</u>

Reconciliation of tax expense/(income)

The tax assessed on the loss for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021	2020
	£	£
Loss before taxation	<u>(1,918)</u>	<u>(50,888)</u>
Loss before taxation by rate of tax	<u>(364)</u>	<u>(9,669)</u>
Adjustment to tax charge in respect of prior periods	–	(131,717)
Effect of capital allowances and depreciation	29,263	31,367
Effect of tax rates changes	–	12,767
Total tax charge/(credit)	<u>28,899</u>	<u>(97,252)</u>

Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2021 Budget. The rate will increase from 19% to 25% with effect from 1 April 2023. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 March 2021, would be to increase the deferred tax liability by £49,993.

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

10. Tangible Assets

	Freehold land and property £	Plant and machinery £	Interest £	Total £
Cost				
At 1 April 2020 and 31 March 2021	<u>4,321,160</u>	<u>2,731,580</u>	<u>1,492,876</u>	<u>8,545,616</u>
Depreciation				
At 1 April 2020	821,593	1,812,110	421,995	3,055,698
Charge for the year	113,531	131,353	59,715	304,599
At 31 March 2021	<u>935,124</u>	<u>1,943,463</u>	<u>481,710</u>	<u>3,360,297</u>
Carrying amount				
At 31 March 2021	<u>3,386,036</u>	<u>788,117</u>	<u>1,011,166</u>	<u>5,185,319</u>
At 31 March 2020	<u>3,499,567</u>	<u>919,470</u>	<u>1,070,881</u>	<u>5,489,918</u>

11. Debtors

Debtors amounts falling due within one year are as follows:

	2021 £	2020 £
Trade debtors	–	87,989
Amounts owed by Group undertakings	44,844	302,934
Prepayments and accrued income	3,272	8,117
	<u>48,116</u>	<u>399,040</u>

12. Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans and overdrafts	293,859	263,716
Trade creditors	2,817	25,442
Amounts owed to Group undertakings	30,319	45,996
Accruals and deferred income	34,174	26,024
Corporation tax	30,753	–
Taxation and social security	34,859	35,540
	<u>426,781</u>	<u>396,718</u>

Amounts owed to Group undertakings relate to trading balances and are repayable on demand.

13. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Bank loans and overdrafts	6,377,178	6,669,836
Amounts owed to Group undertakings	550,000	550,000
	<u>6,927,178</u>	<u>7,219,836</u>

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

13. Creditors: amounts falling due after more than one year *(continued)*

Included within creditors: amounts falling due after more than one year is an amount of £6,039,846 (2020: £6,236,912) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The Company has a term loan with Aviva Public Private Finance Limited secured by fixed and floating charges over the assets of the Company. The loan bears interest at 4.53% per annum under a facility agreement entered into by the Company. The interest rate is fixed for the duration of the term loan. The term loan is repayable in quarterly instalments which commenced 30 June 2013. The final Repayment is due on 24 March 2038.

Amounts owed to Group undertakings relates to subordinated debt provided by NNT Lift Company Limited, the immediate parent company. It bears interest at 14% and is repayable in 2038.

14. Provisions for Liabilities

	Deferred tax (note 15) £	Repairs £	Total £
At 1 April 2020	160,164	30,000	190,164
Utilised in year	—	(4,290)	(4,290)
Deferred tax	(1,854)	—	(1,854)
At 31 March 2021	158,310	25,710	184,020

NNT Fundco 2 may elect to take control of a wall adjacent to one of its properties. If this election is made, the company will incur estimated repair costs of £25,710, which is expected to be utilised in the year to 31 March 2022.

15. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

	2021 £	2020 £
Included in provisions for liabilities (note 14)	158,310	160,164

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021 £	2020 £
Fixed asset timing differences	158,310	160,164

	2019 £
Opening balance	160,164
Movement through the profit or loss	(1,854)
Closing balance	158,310

NNT Lift Company (Fundco 2) Limited

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 March 2021

16. Called Up Share Capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>10</u>	<u>1</u>	<u>10</u>	<u>1</u>

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

17. Reserves

Retained earnings records retained earnings and accumulated losses.

18. Related Party Transactions

The Company is wholly owned by NNT Lift Company Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

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

Name of Party	Relation	Nature of Transaction	Amount transaction n amount during the year ended 31 March 2021	Amount Transaction owed (to)/by related party as at 31 March 2021	Amount Transaction owed (to)/by related party as at 31 March 2020	Amount Transaction owed (to)/by related party as at 31 March 2020
			£	£	£	£
North Tyneside Council	6.81% shareholder in NNT Lift Company Limited	Lease. Payments/ Arrangement Fees	895,862	-	880,992	87,989

19. Controlling Party

The immediate parent undertaking is NNT Lift Company Limited, a company incorporated in England.

NNT Lift Company Limited is owned by Elgin Lift Limited (60.01%), Community Health Partnerships Limited (27.37%), North Tyneside Council (6.81%) and The Council of the City of Newcastle upon Tyne (5.81%).

The accounts of Elgin Lift Limited can be obtained from 11 Thistle Street, Edinburgh, EH2 1DF.

Elgin Lift Limited is owned 99.996% by Elgin Infrastructure Limited, which is jointly owned between Cobalt Project Investments Limited and Ednaston Investments Limited.

There is no ultimate controlling party.