

Mersey Care Development Company 1 Limited

Directors' Report and Unaudited Financial
Statements

Year Ended

31 March 2021

Company Number 08287986



Mersey Care Development Company 1 Limited

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Company Information

Directors	A H Naafs I Tayler
Registered number	08287986
Registered office	9th Floor Cobalt Square 83-85 Hagley Road Birmingham B16 8QG

Mersey Care Development Company 1 Limited

Directors' Report For the Year Ended 31 March 2021

The directors present their report and the unaudited financial statements for the year ended 31 March 2021. In preparing this report, the directors have taken advantage of the small companies' exemption from the requirement to prepare a strategic report provided by section 414B of the Companies Act 2006 and the small companies' exemptions provided by section 415A of the Companies Act 2006.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £185,964 (2020: £58,471). At 31 March 2021, the company had net assets of £7,189 (2020: £7,026).

Dividends of £185,981 were paid during the year (2020: £57,340). 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

Going concern

At the year-end, the company has net assets of £7,189 (2020: £7,206). The company has net current assets of £2,289 (2020: 2,306), including cash of £7,426 (2020: £5,618).

The COVID-19 pandemic is continuing to have a significant impact on the UK economy which creates uncertainty in respect of all future business plans. At the time of writing, the Directors continue to believe that there is limited going concern risk to the company.

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. 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 company has put in place qualifying third party indemnity provisions for all the directors of the company who were in force at the date of approval of this report.

Mersey Care Development Company 1 Limited

Directors' Report For the Year Ended 31 March 2021

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

Audit exemption statement

For the year ending 31 March 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

This report was approved by the board on **20th JANUARY 2022** and signed on its behalf.



I Tayler
Director

Mersey Care Development Company 1 Limited

Statement of Profit and loss and Other Comprehensive Income For the Year Ended 31 March 2021

	Note	2021 £	2020 £
Continuing operations			
Revenue	3	5,688	5,552
Administrative expenses		(7,705)	(8,821)
Operating loss	4	(2,017)	(3,269)
Finance income	5	460,993	336,143
Finance costs	6	(273,012)	(274,403)
Profit before tax		185,964	58,471
Tax charge	7	-	-
Other comprehensive income for the year, net of tax		-	-
Profit and total comprehensive income for the year attributable to equity holders		<u>185,964</u>	<u>58,471</u>

The notes on pages 7 to 20 form part of these financial statements.

Mersey Care Development Company 1 Limited

Registered number: 08287986

Statement of Financial Position As at 31 March 2021

	Note	2021 £	2020 £
Assets			
Non-current assets			
Investments in associates	8	4,900	4,900
Other receivables	9	2,013,724	2,026,748
		<u>2,018,624</u>	<u>2,031,648</u>
Current assets			
Other receivables	9	13,613	11,487
Cash and cash equivalents	10	7,426	5,618
		<u>21,039</u>	<u>17,105</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(18,750)	(14,799)
		<u>2,289</u>	<u>2,306</u>
Net current assets		<u>2,020,913</u>	<u>2,033,954</u>
Total assets less current liabilities		<u>2,020,913</u>	<u>2,033,954</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	12	(2,013,724)	(2,026,748)
		<u>7,189</u>	<u>7,206</u>
Net assets		<u>7,189</u>	<u>7,206</u>
Equity attributable to equity holders of the parent company			
Ordinary shares	15	100	100
Share premium account		4,800	4,800
Retained earnings		2,289	2,306
		<u>7,189</u>	<u>7,206</u>
Total equity		<u>7,189</u>	<u>7,206</u>

For the year ending 31 March 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

These accounts 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

20TH JANUARY 2022.



I Tayler
Director

The notes on pages 7 to 20 form part of these financial statements.

Mersey Care Development Company 1 Limited

Statement of Changes in Equity For the Year Ended 31 March 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2019	100	4,800	1,175	6,075
Changes in equity for 2019-20				
Profit for the year	-	-	58,471	58,471
Other comprehensive income	-	-	-	-
Dividends paid	-	-	(57,340)	(57,340)
At 1 April 2020	100	4,800	2,306	7,206
Changes in equity for 2020-2021				
Profit for the year	-	-	185,964	185,964
Other comprehensive income	-	-	-	-
Dividends paid	-	-	(185,981)	(185,981)
At 31 March 2021	100	4,800	2,289	7,189

Dividends of £185,981 (£1,859.81 per share) were paid during the year (2020: £57,340 (£573.40 per share)).

The notes on pages 7 to 20 form part of these financial statements.

Mersey Care Development Company 1 Limited

Statement of Cash Flows For the Year Ended 31 March 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	185,964	58,471
Adjustments for:		
Finance costs	273,012	274,403
Finance income	(460,993)	(336,143)
Increase in trade and other receivables	(541)	(810)
Increase/(decrease) in trade and other payables	2,366	(289)
Net cash used in operating activities	(192)	(4,368)
Cash flows from investing activities		
Loan note interest receivable	273,012	274,403
Dividends received	187,981	61,740
Net cash from investing activities	460,993	336,143
Cash flows from financing activities		
Repayment of loan notes	(11,439)	(10,045)
Loans repaid by associates	11,439	10,045
Dividends paid	(185,981)	(57,340)
Interest paid	(273,012)	(274,403)
Net cash used in financing activities	(458,993)	(331,743)
Net increase in cash and cash equivalents	1,808	32
Cash and cash equivalents at beginning of year	5,618	5,586
Cash and cash equivalents at the end of year	7,426	5,618

The notes on pages 7 to 20 form part of these financial statements.

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

1. Accounting policies

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

1.1 Basis of preparation of financial statements

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

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

The functional currency is pounds sterling.

Standards issued and applied for the first time this period

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

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material) (effective 1 January 2020);
- IFRS 3 Business Combinations (Amendment – Definition of Business) (effective 1 January 2020), and
- Revised Conceptual Framework for Financial Reporting.

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

Standards, interpretations and amendments issued but not yet applied

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

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) – effective 1 January 2023 (not endorsed);
- Reference to the Conceptual Framework (Amendments to IFRS 3) – effective 1 January 2022 (not endorsed);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) – effective 1 January 2022 (not endorsed);
- Annual Improvements to IFRS Standards 2018–2020 – effective 1 January 2022 (not endorsed);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) – effective 1 January 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – effective 1 January 2023 (not endorsed); and
- Definition of Accounting Estimates (Amendments to IAS 8) – effective 1 January 2023 (not endorsed).

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

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

1. Accounting policies (continued)

1.2 Going Concern

At the year-end, the company has net assets of £7,189 (2020: £7,206). The company has net current assets of £2,289 (2020: 2,306), including cash of £7,426 (2020: £5,618).

The COVID-19 pandemic is continuing to have a significant impact on the UK economy which creates uncertainty in respect of all future business plans. At the time of writing, the Directors continue to believe that there is limited going concern risk to the company.

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. 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.

1.3 Investments in associates

Investments in associates are valued at cost less provision for impairment. An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not to control or joint control over those policies.

1.4 Financial instruments

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

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

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

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

1. Accounting policies (continued)

1.5 Other loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus any transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised.

1.6 Cash and cash equivalents

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

1.7 Interest-bearing borrowings

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

1.8 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.

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

1. Accounting policies (continued)

1.9 Deferred tax

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

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

1.10 Dividends

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

1.11 Reserves

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

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

2. Accounting estimates and judgements

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

Key sources of estimation uncertainty

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

Critical judgements

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

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

3. Revenue

	2021 £	2020 £
Revenue comprises:		
Management and related services	<u>5,688</u>	<u>5,552</u>

4. Operating Profit

There were no employees during the year (2020 - None).

5. Finance income

	2021 £	2020 £
Interest on loans due from associates	273,012	274,403
Dividends received	187,981	61,740
	<u>460,993</u>	<u>336,143</u>

6. Finance costs

	2021 £	2020 £
Interest on loans due to shareholders	<u>273,012</u>	<u>274,403</u>

7. Taxation

	2021 £	2020 £
UK Corporation tax:		
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>185,965</u>	<u>58,471</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	35,333	11,109
Effects of:		
Dividend income not taxable	(35,716)	(11,731)
Movement in deferred tax asset not recognised (see note 14)	383	594
Effect of difference in current and deferred tax rates	-	28
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

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

Any potential deferred tax asset/ (liability) has therefore been calculated at 19%, being the rate substantively enacted at the statement of financial position date.

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

8. Investments

		Shares in associates £
Cost		
At 1 April 2020 and 31 March 2021		<u><u>4,900</u></u>

The company holds a 49% non-controlling interest in the share capital in MDCD Midco Limited, a company incorporated in the United Kingdom and engaged in the activities of an intermediary holding company. MDCD Midco Limited owns 100% of the share capital in MDCD 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.

	MDCD Midco Limited £	MDCD Fundco Limited £
As at 31 March 2021:		
Current assets	100	1,199,000
Non-current assets	10,000	24,797,000
Current liabilities	(100)	(1,027,000)
Non-current liabilities	<u><u>-</u></u>	<u><u>(23,217,000)</u></u>
Year ended 31 March 2021:		
Revenues	-	771,000
Profit and total comprehensive income	<u><u>383,635</u></u>	<u><u>335,000</u></u>

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

9. Other loans and receivables

	2021 £	2020 £
Amounts due from associates	2,013,714	2,026,748
Non-current assets	<u>2,013,714</u>	<u>2,026,748</u>
Current assets		
Trade receivables	-	-
Amounts due from parent company	49	49
Amounts due from associates	13,023	11,438
Other receivables	<u>541</u>	<u>-</u>
Current assets	<u>13,613</u>	<u>11,487</u>
	<u>2,027,327</u>	<u>2,038,235</u>

Amount due from associates have Interest which accrues daily on loan notes at rates of 13.41% per annum. Interest ceases to accrue on a loan note from the due date of its redemption in respect of the principal amount of the loan note due to be redeemed.

10. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

11. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade payables	2,568	-
Amounts due to associates	49	49
Unsecured loan notes (see note 13)	13,024	11,438
Accruals and deferred income	<u>3,109</u>	<u>3,312</u>
	<u>18,750</u>	<u>14,799</u>

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

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

	2021 £	2020 £
Unsecured loan notes (see note 13)	<u>2,013,724</u>	<u>2,026,748</u>

13. Borrowings

	2021 £	2020 £
Current portion of long term borrowings		
Unsecured loan notes	13,024	11,438
	<u>13,024</u>	<u>11,438</u>

Non-current borrowings

Unsecured loan notes	2,013,724	2,026,748
	<u>2,013,724</u>	<u>2,026,748</u>

Interest accrues daily on loan notes at rates between 10% during construction phase of the related property and then at a rate of 13.41% per annum and is payable half yearly in arrears, on 31 March and 30 September each year. Interest shall cease to accrue on the principal amount of the loan note from the date it is due for redemption.

Amounts owed to group undertakings rank pari passu with all other unsecured obligations of the company.

14. Deferred tax

The company had no deferred tax liability as at the end of the year and did not recognise deferred income tax assets of £6,648 (2020: £6,265) in respect of losses amounting to £34,991 (2020: £32,974) that can be carried forward against future taxable income.

15. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1,000 Ordinary shares of £0.10 each	<u>100</u>	<u>100</u>

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Related party transactions

BBGI Management Holdco S.a.r.l., a company incorporated in Luxembourg, is the company's immediate controlling party. BBGI Global Infrastructure S.A. (formerly BBGI SICAV S.A.), a company incorporated in Luxembourg, is the company's ultimate controlling party.

	2021 £	2020 £
Dividends received/(paid)		
Shareholders, and their associates	(185,981)	(57,340)
Associate entities	187,981	61,740
Interest receivable/(payable)		
Shareholders, and their associates	(273,012)	(274,403)
Associate entities	273,012	274,403
Amounts owed to related parties		
Shareholders, and their associates	2,026,048	2,038,185
Associate entities	49	49
Amounts owed by related parties		
Shareholders, and their associates	49	49
Associate entities	2,026,048	2,038,185
Sales of services		
Shareholders, and their associates	5,688	5,552
Purchase of services		
Shareholders, and their associates	<u>5,688</u>	<u>5,552</u>

There were no directors to whom remuneration was paid or to whom retirement benefits were accruing. The directors are remunerated by shareholder companies and their associate entities. The directors do not believe it is possible to accurately apportion their remuneration between the many entities they are directors of.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

17. Financial instruments

Categories of financial assets and liabilities

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

Item	Valuation technique	Significant unobservable inputs
Trade receivables and payables	The carrying amount of short term (less than 12 months) trade receivable and payables approximates its fair values.	N/a
Non-current borrowings	The fair value of non-current borrowings in note 13, is estimated by discounting the future contractual cash flows at the estimated current market interest rates.	7%

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

	Book Value	Fair Value	Book Value	Fair Value
	2021	2021	2020	2020
Financial assets	£	£	£	£
Loans and receivables:				
Cash and cash equivalents	7,427	7,427	5,618	5,618
Amounts due from associates	2,026,748	3,222,529	2,038,185	3,240,800
	<u>2,034,175</u>	<u>3,229,956</u>	<u>2,043,803</u>	<u>3,246,418</u>
	Book Value	Fair Value	Book Value	Fair Value
	2021	2021	2020	2020
Financial liabilities	£	£	£	£
Amortised cost:				
Unsecured loan notes	2,026,748	3,222,529	2,038,185	3,240,800
Trade and other payables	5,678	5,678	3,361	3,361
	<u>2,032,426</u>	<u>3,228,207</u>	<u>2,041,546</u>	<u>3,244,161</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

17. Financial instruments (continued)

Financial risk management

The company's operations expose it to a number of financial risks. The board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able or are unwilling to meet their obligations.

Other receivables primarily comprise of amounts due from the company's associate entities. Therefore credit risk is considered to be low. Cash and cash equivalents comprise balances held with banks. To reduce the risk of counterparty default, the company only uses approved high quality banks.

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

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.

Mersey Care Development Company 1 Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

17. Financial instruments (continued)

The table below summarises the maturity profile of the company's financial liabilities, on an undiscounted basis, at 31 March 2021 and 31 March 2020:

	Less than 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
2021					
Financial liabilities					
Long term borrowings from parent company	-	284,449	1,137,799	5,400,814	6,823,062
Trade and other payables	5,678	-	-	-	5,678
	<u>5,678</u>	<u>284,449</u>	<u>1,137,799</u>	<u>5,400,814</u>	<u>6,828,234</u>
	Less than 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
2020					
Financial liabilities					
Long term borrowings from parent company	-	284,449	1,137,797	5,684,021	7,106,267
Trade and other payables	3,361	-	-	-	3,361
	<u>3,361</u>	<u>284,449</u>	<u>1,137,797</u>	<u>5,684,021</u>	<u>7,109,628</u>

Interest rate risk

The company's exposure to market risk for changes in interest rates is considered to be very small, as all loans are at fixed rates. The risk for changes in interest rates is therefore restricted to the interest earned on bank deposits, which is immaterial to the company. It is the company's policy to settle trade payables within the credit terms allowed and the company does therefore not incur interest on overdue balances.

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17. Financial instruments (continued)

Capital management

The company seeks to match long-term assets with long-term funding, and short-term assets with short-term funding. Borrowings are required primarily to finance construction activity in the associates and the related loan repayments from associates are set at a level that will ensure that repayments of borrowings can be met as they fall due. Other expenses are met by cash balances generated from the company's ordinary activities.

18 Note supporting statement of cash flows

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

	Non-current loans and borrowings £	Current loans and borrowings £	Total £
At 1 April 2020	2,026,748	11,438	2,038,186
Cash flows	-	(284,451)	(284,451)
Loans and borrowings classified as current at 31 March 2021	(13,024)	13,024	-
Interest accruing in period	-	273,012	273,012
At 31 March 2021	2,013,724	13,023	2,026,747
At 1 April 2019	2,038,185	10,045	2,048,230
Cash flows	-	(284,447)	(284,447)
Loans and borrowings classified as current at 31 March 2020	(11,437)	11,437	-
Interest accruing in period	-	274,403	274,403
At 31 March 2020	2,026,748	11,438	2,038,186