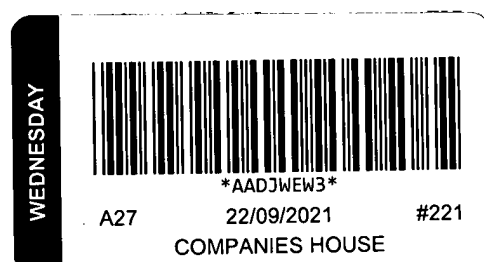


Registration number: 03124864

# The Newcastle Estate Partnership Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2021



**The Newcastle Estate Partnership Limited**

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## **The Newcastle Estate Partnership Limited**

### **Company Information**

<b>Directors</b>	M McGhee K A McLellan A C M Rhodes
<b>Company secretary</b>	Semperian Secretariat Services Limited
<b>Registered office</b>	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

## **The Newcastle Estate Partnership Limited**

### **Strategic Report for the Year Ended 31 March 2021**

The directors present their strategic report for the year ended 31 March 2021.

#### **Principal activity**

The principal activity of the company is property investment and management.

In 1998, the company entered into an agreement with the Secretary of State for Social Security providing inter alia for the company to redevelop the Newcastle Estate and for Inland Revenue (now Her Majesty's Revenue and Customs)/DSS to enter into a series of 25 year occupational leases with the company under the Government's PFI. A Credit Facility Agreement was entered into with The Royal Bank of Scotland plc to provide funding for the company's activities. This was novated to The Bank of Tokyo-Mitsubishi UFJ Ltd in June 2011.

#### **Results and review of business**

The profit for the year is set out in the profit and loss account on page 12. The directors consider the performance of the company during the year and the financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

#### **Principal risks and uncertainties**

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The Board monitors the financial stability of its subcontractor and has contingency plans in place to ensure the continuity of service provision to its client, should the subcontractor become unable to perform its obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

#### **Key performance indicators ('KPIs')**

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities as managed by the sub-contractor. For this reason, the company's directors believe that further operational key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the directors monitor compliance with debt covenant ratios as specified in the senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

#### **S172 Statement**

The following disclosure describes how the Board regards the matters set out in section 172 (1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

The purpose of the company is to design, build, finance and operate the office buildings at Benton Park View, Tyneview Park, Waterview Park and Durham House over a concession period of 25 years under an agreement with our client, the Secretary of State for Social Security. The company's aim is to work in partnership with our client to provide suitable accommodation and maintain that accommodation to meet relevant legislation and agreed service levels. This shapes the company's values and objectives and defines long term success. Decisions are taken in the context of working in partnership with the client and other stakeholder groups. The company has long term funding in place, as described in the Directors' Report. A set of contracts set out the relationships with the client, debt funders, maintenance and operations contractors. These parties are the company's main stakeholders. The company also works with community groups to enable both their support for the client and the full use of the accommodation asset. The environmental impact of the accommodation is considered to support statutory and other reporting. Where changes to the accommodation impact the community, these are considered with the client. Debt funders are provided with operational and financial performance reports on a quarterly basis. The operational management team work closely with the client and the maintenance and operations contractor, in order to programme lifecycle and major maintenance works to minimise disruption. The client receives regular updates on programmed works and access requests to enable those works.

## **The Newcastle Estate Partnership Limited**

### **Strategic Report for the Year Ended 31 March 2021 (continued)**

The company does not have any employees but works with the maintenance and operations contractors to ensure that health and safety reporting is transparent, and the contractors provide a suitably skilled and sustainable workforce.

The Board of Directors is an experienced team which is appointed by the shareholders to represent their interests and ensure their instructions are considered and implemented for the long-term success of the company. The board members have experience of working with the other key stakeholders, which assists them in identifying and considering the long-term consequences of principal decisions. The board meet on a quarterly basis and reports are provided at these meetings by the operational and financial management teams. These reports will have regard to health and safety matters, the operational and financial performance of the project, planned lifecycle and major maintenance work and relationships with the client, and the main subcontractor. The operational and financial management team make recommendations to the board of directors. These recommendations and reports are considered at the board meetings and actions arising are monitored. Decisions made by the Directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the company are those that are key to the company's success, these include but are not limited to: decisions impacting the relationships between the parties, decisions impacting the availability and safety of the accommodation, and decisions impacting the return to the shareholders.

The principal decisions made by the Board of Directors during the year ended 31 March 2021 were:

- Lifecycle and major maintenance expenditure
- Payment of dividends

Life cycle and major maintenance expenditure is planned following asset condition surveys to maintain the accommodation at the required statutory and contractual standards. It is also to ensure the asset will meet the required contractual standards at the end of the concession. The delivery of these works is carefully planned with the maintenance and operations contractors and client, to ensure minimum disruption to the users of the accommodation and the safety of the contractor's employees.

The above decisions ensured the relationships between the parties that work together in partnership continue and the accommodation is maintained with minimum disruption to users. The safety performance of the accommodation is maintained both in terms of users and the health and safety of the contractor's staff. These decisions ensure the long-term success of the project, which protects shareholder returns.

Dividends are declared only after having had regard to the company's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the company to allow it to continue providing the accommodation to its client, for use by the public.

Approved by the Board on 15 July 2021 and signed on its behalf by:



.....  
A C M Rhodes  
Director

## **The Newcastle Estate Partnership Limited**

### **Directors' Report for the Year Ended 31 March 2021**

**Registration number: 03124864**

The directors present their report and the audited financial statements for the year ended 31 March 2021.

#### **Future developments**

No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

#### **Dividends**

A dividend of £1,875,000 (£1.875 per ordinary share) was paid during the year (2020: £1,575,000, £1.575 per ordinary share). On 30 June 2021 a dividend of £2,706,729 was declared and paid (£2.707 per ordinary share).

#### **Financial risk management**

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The directors have policies for managing each of these risks and they are summarised below:

##### ***Interest rate risk***

The senior debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 12.

##### ***Inflation risk***

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

##### ***Liquidity risk***

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

##### ***Credit risk***

The company receives the majority of its revenue from HMRC and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

##### ***Major maintenance replacement risk***

The company takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

##### ***Coronavirus (COVID-19) impact on the financial statements***

The COVID-19 outbreak has resulted in measures being taken to contain the virus and has resulted in the temporary closure of businesses and public services.

The company continues to work with its client, the Secretary of State for Social Security, and its subcontractors, to ensure minimal interruption to contracted service provision during this period of disruption.

On 20 March 2020 the Cabinet Office issued a notice (Procurement Policy Note 02/20: Supplier relief due to coronavirus (COVID-19)) advising that all supplier payments would be maintained as per their individual contracts. Guidance was also issued on 2 April 2020 by the Infrastructure and Projects Authority (IPA Guidance) specifically relating to PFI contracts. The IPA guidance being consistent with PPN 02/20. On 6 June 2020 the Cabinet Office issued a further notice (Procurement Policy Note 04/20: Recovery and Transition from COVID-19) supporting the transition to a steady state. PPN 02/20 guidance was in place until 30 June 2020, and PPN 04/20 was in place until 31 October 2020. The company has continued to receive the monthly availability payment and pay its suppliers in a timely manner.

## **The Newcastle Estate Partnership Limited**

### **Directors' Report for the Year Ended 31 March 2021 (continued)**

The revenue of the company is linked to the availability of the facility and services delivered in that facility. Availability is not materially adversely impacted by the measures limiting the movement of people, and service provision is subject to working arrangements that have been agreed with the client.

The company does not employ any staff directly. The main operating costs are agreed, under contract, with the subcontractors and therefore are not be impacted by factors arising due to the pandemic. As the majority of costs are contractual, no other measures to control costs are deemed necessary. The timing of lifecycle and major maintenance works continue to be reviewed as the situation develops.

The company produces regular financial model updates that forecast the company cashflows to the end of the concession period. This financial model indicates that the company will be able to meet its financing covenant ratios and that no additional funding will be required in the next 12 months. The directors therefore consider the COVID-19 outbreak will have no impact on the ability of the company to continue as a going concern. However, the Directors are monitoring usual movements in short and long term economic indicators that may impact the valuation of assets and liabilities, and may therefore have an impact on the financial statements.

#### ***Brexit risk***

The company operates solely in the United Kingdom and has not been directly impacted by changes to trading arrangements, with the EU and the rest of the world resulting from the United Kingdom's withdrawal from the European Union on 31st January 2020. The directors continue to monitor any potential impact arising from the wider financial markets and the company's supply chain.

#### **Directors of the company**

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

M McGhee

K A McLellan

A C M Rhodes

## **The Newcastle Estate Partnership Limited**

### **Directors' Report for the Year Ended 31 March 2021 (continued)**

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 financial statements; 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 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.

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.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

#### **Going concern**

Although the company's balance sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.



## **The Newcastle Estate Partnership Limited**

### **Directors' Report for the Year Ended 31 March 2021 (continued)**

#### **Reappointment of auditors**

The independent auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

Approved by the Board on 15 July 2021 and signed on its behalf by:

*Andrew Rhodes*

.....  
A C M Rhodes  
Director

## **The Newcastle Estate Partnership Limited**

### **Independent Auditors' Report to the members of The Newcastle Estate Partnership Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, The Newcastle Estate Partnership Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2021; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **The Newcastle Estate Partnership Limited**

### **Independent Auditors' Report to the members of The Newcastle Estate Partnership Limited (continued)**

#### **Reporting on other information (continued)**

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

## **The Newcastle Estate Partnership Limited**

### **Independent Auditors' Report to the members of The Newcastle Estate Partnership Limited (continued)**

#### *Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **The Newcastle Estate Partnership Limited**

### **Independent Auditors' Report to the members of The Newcastle Estate Partnership Limited (continued)**

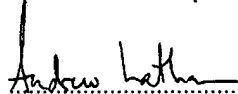
#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Latham (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date:

19<sup>th</sup> August 2021

## The Newcastle Estate Partnership Limited

### Profit and Loss Account for the Year Ended 31 March 2021

	Note	2021 £ 000	2020 £ 000
<b>Turnover</b>	4	12,127	17,979
Cost of sales		<u>(11,411)</u>	<u>(13,375)</u>
<b>Gross profit</b>		716	4,604
Administrative expenses		<u>(630)</u>	<u>(664)</u>
<b>Operating profit</b>	5	86	3,940
Interest receivable and similar income	6	11,184	12,653
Interest payable and similar charges	7	<u>(7,916)</u>	<u>(9,459)</u>
<b>Profit before taxation</b>		3,354	7,134
Tax on profit	8	<u>(2,475)</u>	<u>(3,776)</u>
<b>Profit for the financial year</b>		<u>879</u>	<u>3,358</u>

The above results were derived from continuing operations.

### Statement of Comprehensive Income for the Year Ended 31 March 2021

	Note	2021 £ 000	2020 £ 000
<b>Profit for the financial year</b>		<u>879</u>	<u>3,358</u>
<b>Other comprehensive income:</b>			
Change in value of hedging instrument	17	(133)	(2,457)
Reclassifications to profit and loss	7	5,435	5,657
Deferred tax arising on unrealised movements on cash flow hedges	8	<u>(1,008)</u>	<u>(167)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>4,294</u>	<u>3,033</u>
<b>Total comprehensive income for the year</b>		<u>5,173</u>	<u>6,391</u>

The notes on pages 15 to 26 form an integral part of these financial statements.

# The Newcastle Estate Partnership Limited

## Balance Sheet as at 31 March 2021

	Note	2021 £ 000	2020 £ 000
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	9	97,775	118,855
Debtors: Amounts falling due within one year	10	21,324	21,240
Cash at bank and in hand		32,502	32,971
		<u>151,601</u>	<u>173,066</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(25,332)</u>	<u>(24,282)</u>
<b>Total assets less current liabilities</b>		126,269	148,784
<b>Creditors: Amounts falling due after more than one year</b>	11	(124,561)	(150,366)
<b>Provisions for liabilities</b>	13	<u>(3,792)</u>	<u>(3,800)</u>
<b>Net liabilities</b>		<u>(2,084)</u>	<u>(5,382)</u>
<b>Capital and reserves</b>			
Called up share capital	14	1,000	1,000
Cash flow hedge reserve		(10,980)	(15,274)
Profit and loss account		<u>7,896</u>	<u>8,892</u>
<b>Total equity</b>		<u>(2,084)</u>	<u>(5,382)</u>

Approved and authorised by the Board on 15 July 2021 and signed on its behalf by:

*Andrew Rhodes*

A C M Rhodes

Director

The notes on pages 15 to 26 form an integral part of these financial statements.

# The Newcastle Estate Partnership Limited

## Statement of Changes in Equity for the Year Ended 31 March 2021

	Note	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2019		1,000	(18,307)	7,109	(10,198)
Profit for the financial year		-	-	3,358	3,358
Other comprehensive income		-	3,033	-	3,033
Total comprehensive income		-	3,033	3,358	6,391
Dividends	15	-	-	(1,575)	(1,575)
At 31 March 2020		1,000	(15,274)	8,892	(5,382)

	Note	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2020		1,000	(15,274)	8,892	(5,382)
Profit for the financial year		-	-	879	879
Other comprehensive income		-	4,294	-	4,294
Total comprehensive income		-	4,294	879	5,173
Dividends	15	-	-	(1,875)	(1,875)
At 31 March 2021		1,000	(10,980)	7,896	(2,084)

The notes on pages 15 to 26 form an integral part of these financial statements.



## **The Newcastle Estate Partnership Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021**

#### **1 General information**

The principal activity of the company is property investment and management.

In 1998, the company entered into an agreement with the Secretary of State for Social Security providing inter alia for the company to redevelop the Newcastle Estate and for Inland Revenue (now Her Majesty's Revenue and Customs)/DSS to enter into a series of 25 year occupational leases with the company under the Government's PFI. A Credit Facility Agreement was entered into with The Royal Bank of Scotland plc to provide funding for the company's activities. This was novated to The Bank of Tokyo-Mitsubishi UFJ Ltd in June 2011.

The company is a private company limited by shares and is incorporated and domiciled in England.

The address of its registered office is:

Third Floor  
Broad Quay House  
Prince Street  
Bristol  
BS1 4DJ

The company's functional and presentation currency is the pound sterling.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

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

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

##### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

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 judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

##### **Going concern**

Although the company's balance sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

## **The Newcastle Estate Partnership Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises income when it has fully fulfilled its contractual obligations. The company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and cost of sales.

Where appropriate, income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

##### **Finance debtor and interest receivable**

The company has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. The costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within previous UK GAAP which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

##### **Tax**

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

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 in the countries where the company operates and generates taxable income.

## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash balances are held in bank accounts which are subject to controls, exercised by the providers of the company's long term debt facilities, under the terms of its facility agreements.

#### Financial Instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *(i) Financial assets*

Basic financial assets, including trade and other receivables, finance debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### *(ii) Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

## **The Newcastle Estate Partnership Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

#### **2 Accounting policies (continued)**

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### ***(iii) Offsetting***

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### ***(iv) Derivatives and Hedging arrangements***

Derivatives, which may include interest rate swaps and RPI swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in hedging arrangements.

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

#### **Called up share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 2 Accounting policies (continued)

##### Dividends

Final dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. Interim dividends are recognised when paid. These amounts are recognised in the statement of changes in equity.

##### Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The exemptions which the company has taken are:

- (i) the requirement to prepare a statement of cash flows;
- (ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (iii) the requirement to disclose related party transactions, with the members of the same group, that are wholly owned.

#### 3 Critical accounting judgements and estimation uncertainty

Judgements, estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Actual results may subsequently differ from these estimates.

Certain critical accounting judgements and estimates as applicable, adopted by management, in applying the company's accounting policies are described below:

##### Judgements

###### Treatment of derivatives

The directors have adopted a policy of cash flow hedge accounting for derivative financial instruments and have assessed that the company's interest rate swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cash flow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows. See note 17.

##### Estimates

###### Finance debtor and turnover recognition

The accounting for service concession contracts and finance debtors requires estimation of service margins (being forecast of contract income less estimates of operating and major maintenance replacement costs), finance debtor interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See notes 9 and 10 for the carrying value of the finance debtor and note 11 for amounts of turnover deferred to future periods.

###### Impairment of debtors

Management makes an estimate of the likely recoverable value of trade and other debtors by considering factors including the current credit rating, the ageing profile and the historical experience of the respective debtor. See notes 9 and 10 for the carrying value of the debtors.

## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 3 Critical accounting judgements and estimation uncertainty (continued)

##### Measurement of derivatives

Derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The company has used a third party expert to assist with valuing such instruments.

#### 4 Turnover

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

#### 5 Operating profit

The company had no employees during the year (2020: none). The emoluments of the directors are paid by the controlling parties. The directors' services to this company and to a number of fellow group companies are primarily of a non-executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £nil (2020: £nil) to the company in respect of these services.

The audit fee in respect of the company was £9,560 for the year (2020: £8,037). The company also bore the audit fees of its immediate parent undertaking of £2,000 (2020: £1,149) during the year.

#### 6 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Imputed interest receivable on finance debtor	11,105	12,557
Interest income on bank deposits	46	76
Other finance income	33	20
	<u>11,184</u>	<u>12,653</u>

## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 7 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest on bank borrowings	1,138	2,243
Interest rate swap costs	5,435	5,657
Interest expense on other finance liabilities	-	4
Interest payable on loans from group undertakings	1,343	1,555
	<u>7,916</u>	<u>9,459</u>

#### 8 Tax on profit

##### (a) Tax expense included in profit or loss

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax	3,555	3,825
UK corporation tax adjustment to prior periods	(64)	(31)
Total current income tax	<u>3,491</u>	<u>3,794</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(1,079)	(920)
Arising from changes in tax rates and laws	-	874
Adjustment in respect of prior periods	63	28
Total deferred taxation	<u>(1,016)</u>	<u>(18)</u>
Tax on profit on ordinary activities	<u>2,475</u>	<u>3,776</u>

##### (b) Tax relating to items recognised in other comprehensive income or equity

	2021 £ 000	2020 £ 000
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	1,008	608
Arising from changes in tax rates and laws	-	(441)
Total tax expense included in other comprehensive income	<u>1,008</u>	<u>167</u>

## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 8 Tax on profit (continued)

##### (c) Reconciliation of tax charge

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

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before taxation	3,354	7,134
Corporation tax at standard rate	637	1,356
Expenses not deductible for tax purposes	2,460	2,170
Adjustments to tax charge in respect of prior years	-	(2)
Re-measurement of deferred tax - change in UK tax rates	-	874
Permanent difference relating to Short Lease Premium Relief	(622)	(622)
Total tax charge	2,475	3,776

##### (d) Tax rate changes

The UK government announced in its 2021 budget an increase in the rate of Corporation Tax from 19% to 25% with effect from 1 April 2023. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted, substantive enactment took place on 24 May 2021, therefore, its effects are not included in these financial statements. The Finance Bill received Royal Assent on 10 June 2021 becoming Finance Act 2021. The directors note that this increase in the Corporation Tax rate will have an estimated impact of £735,000 increase on the deferred tax liability from 1 April 2023.

#### 9 Debtors: Amounts falling due after more than one year

	2021 £ 000	2020 £ 000
Finance debtor	97,775	118,855

#### 10 Debtors: Amounts falling due within one year

	Note	2021 £ 000	2020 £ 000
Trade debtors		-	1,562
Finance debtor		21,080	18,459
Other debtors		68	100
Prepayments and accrued income		156	834
Corporation tax	8	20	285
		21,324	21,240



## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 10 Debtors: Amounts falling due within one year (continued)

The other debtor relates to a loan in favour of Interserve (Facilities Management) Limited, a subsidiary of Interserve plc, which indirectly held a minority shareholding in the company's parent undertaking Newcastle Estate Partnership Holdings Limited until 16 November 2012. The loan attracts interest at 8.98% and is repayable by instalments until 2023.

#### 11 Creditors

	Note	2021 £ 000	2020 £ 000
<b>Amounts falling due within one year</b>			
Senior debt	12	16,513	14,989
Subordinated debt	12	1,500	1,500
Trade creditors		894	2,309
Amounts owed to group undertakings		290	374
Other creditors including taxation and social security		455	1,079
Accruals and deferred income		4,817	3,629
Group relief		863	402
		<u>25,332</u>	<u>24,282</u>
<b>Amounts falling due after more than one year</b>			
Senior debt	12	67,862	84,376
Subordinated debt	12	6,000	8,000
Accruals and deferred income		37,143	39,132
Derivative financial instruments	17	13,556	18,858
		<u>124,561</u>	<u>150,366</u>

#### 12 Loans and borrowings

	2021 £ 000	2020 £ 000
<b>Loans and borrowings falling due within one year</b>		
Senior debt	16,513	14,989
Subordinated debt	1,500	1,500
	<u>18,013</u>	<u>16,489</u>

## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 12 Loans and borrowings (continued)

	2021 £ 000	2020 £ 000
<b>Loans and borrowings falling due between one and five years</b>		
Senior debt	53,014	63,495
Subordinated debt	<u>6,000</u>	<u>8,000</u>
	<u>59,014</u>	<u>71,495</u>

	2021 £ 000	2020 £ 000
<b>Loans and borrowings falling due after more than five years</b>		
Senior debt	<u>14,848</u>	<u>20,881</u>

#### Subordinated Debt

Amounts outstanding on the shareholder subordinated debt bear interest at 15.8% and are in favour of the controlling party (see note 18). The subordinated debt is repayable to the extent that this is permitted by the Loan Facility Agreement which sets out repayment priorities over available monies.

#### Senior Debt - Term Loan Facility

The secured bank loans represent amounts borrowed under facility agreements with a syndicate of banks. The bank loans bear interest at a margin of 0.85% over LIBOR and are repayable in instalments between 2003 and 2028. The loan is secured by fixed and floating charges over the undertaking, property, assets and rights of the company and its immediate parent company Newcastle Estate Partnership Holdings Limited.

#### 13 Provisions for liabilities

	Deferred tax £ 000
At 1 April 2020	3,800
Deductions dealt with in profit or loss	(1,016)
Additions dealt with in other comprehensive income	<u>1,008</u>
At 31 March 2021	<u>3,792</u>

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2021 £ 000	2020 £ 000
Accelerated capital allowances	6,367	7,383
Fair value of financial instruments	<u>(2,575)</u>	<u>(3,583)</u>
	<u>3,792</u>	<u>3,800</u>

## The Newcastle Estate Partnership Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 14 Called up share capital

##### Allotted, called up and fully paid shares

	2021		2020
	No. 000	£ 000	No. 000      £ 000
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000      1,000</u>

#### 15 Dividends

	2021	2020
	£ 000	£ 000
Final dividend of £1.875 (2020 - £1.575) per ordinary share	<u>1,875</u>	<u>1,575</u>

#### 16 Related party transactions

As a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited, the company has taken advantage of the exemption under FRS 102 - paragraph 33.1A of the requirement to disclose transactions between it and other group companies.

#### 17 Financial instruments

##### Fair value of derivatives used for hedging in the Balance Sheet

	Note	2021 £ 000	2020 £ 000
Creditors: Amounts falling due after more than one year - Fair value of swaps	11	<u>(13,556)</u>	<u>(18,858)</u>
Net Fair value of swaps in the Balance Sheet		<u>(13,556)</u>	<u>(18,858)</u>

##### Movement in fair value of derivatives used for hedging

	2021 £ 000	2020 £ 000
Recognised through Other Comprehensive Income	<u>5,302</u>	<u>3,200</u>
	<u>5,302</u>	<u>3,200</u>

The company has adopted the phase one amendments to FRS 102 that provide certain reliefs in connection with interest rate benchmark reform. Below are details of the significant interest rate benchmarks to which the entity's hedging relationships are exposed. The company is monitoring the FRC's phase two amendments issued in December 2020 which will apply to the accounts for the year ending 31 March 2022 in respect of interest rate benchmark reform.

## **The Newcastle Estate Partnership Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

#### **17 Financial instruments (continued)**

The company has entered into an interest rate swap to receive interest at LIBOR and pay interest at a fixed 6.09%. The swap is based on an original principal amount of £180,302,000, which reduces in line with the principal amount of the company's sterling senior loan facilities, and matures in 2028 on the same date as the senior loans.

The instrument is used to hedge the company's exposure to interest rate movements on the senior loan facility. The hedging arrangement fixes the total interest payable on the senior loan to 6.09% plus a margin of 0.95%. The fair value of the interest rate swap is £(13,556,000) (2020: £(18,858,000)).

Cash flows on both the loan and the interest rate swap are paid quarterly until 2028. During 2021, a hedging loss of £133,000 (2020: £2,457,000 loss) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and £5,435,000 (2020: £5,657,000) was reclassified from the hedge reserve to profit and loss within interest payable.

The interest rate swaps are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are forward interest rates.

#### **18 Parent and ultimate parent undertaking**

The company's immediate parent is Newcastle Estate Partnership Holdings Limited, incorporated in England and Wales.

The ultimate parent and controlling party is Semperian PPP Investment Partners Holdings Limited, incorporated in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited. These financial statements are available upon request from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.