

REGISTERED NUMBER: 04236500 (England and Wales)

**Directors' Report and
Audited Financial Statements for the Year Ended 31 December 2020
for
FocusEducation (Lincolnshire) Limited**

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for the Year Ended 31 December 2020**

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FocusEducation (Lincolnshire) Limited

Company Information for the Year Ended 31 December 2020

Directors:

M Donn
L W McKenna
J Potgieter
C T Solley

Secretary:

A Mitchell

Registered office:

C/O Albany SPC Services Ltd
3rd Floor
3 - 5 Charlotte Street
Manchester
M1 4HB

Registered number:

04236500 (England and Wales)

Independent auditors:

PricewaterhouseCoopers LLP
Manchester Hardman Sq
1 Hardman Square
Manchester
M3 3EB

Bankers:

Bank of Scotland
11 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors:

Bond Dickinson
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

**Directors' Report
for the Year Ended 31 December 2020**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2020.

Principal activities

The principal activities of the company are to design, finance, construct and operate certain facilities and provide non educational services at a number of schools in Lincolnshire for the period until 31 August 2032 under a concession agreement with Lincolnshire County Council. The agreement to provide new schools and associated facilities management was signed on 27 September 2001 and a Deed of Variation relating to the agreement was signed on 13 August 2004.

Review of business

The project has now completed its fourteenth year of operations since the construction phase was completed. Full operational services are generally progressing well, with minimal performance deductions.

Results

The loss for the financial year is £123,000 (2019: £89,000 profit).

Dividends

The company made no dividend payment in the year (2019 £nil).

Future developments

At the date of this report, the directors do not anticipate any future developments outside of the project agreement.

Directors

The directors during the year under review were:

M Donn

L W McKenna

J Potgieter

C T Solley

The directors holding office at 31 December 2020 did not hold any beneficial interest in the issued share capital of the company at 1 January 2020 or 31 December 2020.

Key performance indicators

The level of performance and availability deductions arising from failures to achieve specified levels of contract service is a key performance indicator. These are reported quarterly to the Board and have been small in relation to total unitary payments.

Another key indicator is the ratio of operating cash flow to the senior debt service amount. This ratio is tested at six-monthly intervals and each time it has been to the satisfaction of the senior debt provider.

Financial Risk Management

Financial instruments

The company's principal financial instruments comprise of a term loan and unsecured loan stock. The terms of these financial instruments are such that the profile of the debt service costs is tailored to match expected revenues arising from the concession.

The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities.

**Directors' Report
for the Year Ended 31 December 2020**

Financial Risk Management (continued)

Interest rate risk

The term loan is exposed to interest rate risk. The company has entered into a fixed rate swap to avoid volatility in debt service costs on its floating rate term loan. The unsecured loan stock is not exposed to interest rate risk.

Liquidity risk

The latest financial forecasts show that unitary payment receivable under the Concession Agreement will be sufficient to repay all future debt payments as they fall due.

Credit risk

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

Principal risks and uncertainties

The availability fee and the majority of the costs are contractually linked to the Retail Prices Index (excluding mortgage interest) (RPIx). A relatively small proportion of total costs are not inflation-linked and a rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals have not been excessive.

A small proportion of cash flow is derived from bank interest on cash balances. The reduction in credit interest rates is therefore a risk to the business and its compliance with debt covenants.

Going concern

The directors have reviewed the net liabilities position at 31 December 2020 together with the company's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the company to continue trading for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April.

Since the COVID-19 outbreak, the Council have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Disclosure in the strategic report

The company has taken advantage of the exemption under section 414B of the Companies Act 2006 not to present a Strategic Report.

Statement of directors' responsibilities

**Directors' Report
for the Year Ended 31 December 2020**

Statement of directors' responsibilities - continued

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

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

The directors are 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.

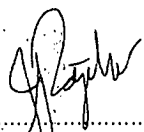
Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the independent auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board:


.....
J Potgieter - Director

Date: 30th June 2021

Independent auditors' report to the members of FocusEducation (Lincolnshire) Limited

Report on the audit of the financial statements

Opinion

In our opinion, FocusEducation (Lincolnshire) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss 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 Directors' Report and Audited Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income and 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.

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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 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 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.

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 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 the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and deter irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, impacting revenue and distributable reserves.

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. 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.

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

30 June 2021

**Statement of Comprehensive Income
for the Year Ended 31 December 2020**

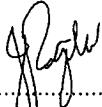
	Notes	2020 £'000	2019 £'000
Turnover	3	1,357	1,376
Cost of sales		<u>(1,228)</u>	<u>(1,228)</u>
Gross profit		129	148
Administrative expenses		<u>(136)</u>	<u>(132)</u>
Operating (loss)/profit	5	(7)	16
Interest receivable and similar income	6	985	1,040
Interest payable and similar expenses	7	<u>(997)</u>	<u>(1,059)</u>
Loss before taxation		(19)	(3)
Tax on loss	8	<u>(104)</u>	<u>92</u>
(Loss)/profit for the financial year		(123)	89
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		(413)	(514)
Net change in fair value of cash flow hedges recycled to profit and loss		594	583
Income tax relating to components of other comprehensive income		<u>27</u>	<u>(25)</u>
Other comprehensive income for the year, net of income tax		208	44
Total comprehensive income for the year		<u>85</u>	<u>133</u>

FocusEducation (Lincolnshire) Limited (Registered number: 04236500)

Balance Sheet
31 December 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors: amounts falling due within one year	9	1,685	1,683
Debtors: amounts falling due after more than one year	9	13,888	14,694
Investments	10		1,670
Cash at bank		2,141	242
		<u>17,714</u>	<u>18,289</u>
Creditors: amounts falling due within one year	11	(4,842)	(4,314)
Net current assets		<u>12,872</u>	<u>13,975</u>
Total assets less current liabilities		<u>12,872</u>	<u>13,975</u>
Creditors: amounts falling due after more than one year	12	(15,658)	(16,846)
Net liabilities		<u>(2,786)</u>	<u>(2,871)</u>
Capital and reserves			
Called up share capital	16	20	20
Cash flow hedging reserve	17	(2,327)	(2,535)
Retained earnings	17	(479)	(356)
Shareholders' funds		<u>(2,786)</u>	<u>(2,871)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30th June 2021 and were signed on its behalf by:


J Potgieter - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2020**

	Called up share capital £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Total equity £'000
Balance at 1 January 2019	20	(445)	(2,579)	(3,004)
Changes in equity				
Total comprehensive income	-	89	44	133
Balance at 31 December 2019	20	(356)	(2,535)	(2,871)
Changes in equity				
Total comprehensive income	-	(123)	208	85
Balance at 31 December 2020	20	(479)	(2,327)	(2,786)

**Notes to the Financial Statements
for the Year Ended 31 December 2020**

1. Statutory information

FocusEducation (Lincolnshire) Limited is a private company, limited by shares, registered and incorporated in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. Accounting policies

Basis of preparing the financial statements

These financial statements were prepared in accordance with the UK Companies Act 2006 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102, issued in July 2015 and effective immediately, have been applied. All amounts in the financial statements have been rounded to the nearest £1,000.

Financial Reporting Standard 102 - reduced disclosure exemptions

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

The company's ultimate parent undertaking, Consolidated Investment Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Consolidated Investment Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Related party transactions;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Consolidated Investment Holdings Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by Sections 11 and 12 of FRS102 (Basic Financial Instruments and Other Financial Instrument Issues respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

**2. Accounting policies - continued
Amended standards early adopted**

The company has elected to early adopt the 'Amendments to FRS 102 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the company are:

- When considering the 'highly probable' requirement, the company has assumed that the GBP LIBOR interest rate on which our hedged debts are based does not change as a result of LIBOR reform.

- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the company has assumed that the GBP LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.

- The company will not discontinue hedge accounting during the period of LIBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80-125% range.

- The company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

Significant judgements and estimates

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The 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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates 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

Certain critical accounting judgements in applying the Group's accounting policies are described below:

-Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate (see note 6).

- Fair values for derivative contracts (note 14) are based on mark-to-market valuations provided by the contract counterparty. Whilst these can be tested for reasonableness, the exact valuation methodology and forecast assumptions for future interest rates or inflation rates are specific to the counterparty.

Going concern

The directors have reviewed the net liabilities position at 31 December 2020 together with the company's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the company to continue trading for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April.

Since the COVID-19 outbreak, the Council have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

Finance debtor and service income

The company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the company because the risks and rewards of ownership are deemed to lie principally with the Trust. The company has taken the transition exemption in FRS 102 Section 35.10(i) which allows it to continue the service concession arrangement accounting policies from previous UK GAAP.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. Amounts receivable under the agreement with the Lincolnshire County Council relating to the hospital facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover. This figure is adjusted in each period to ensure that income recognised more accurately reflects the value of economic benefits provided to the public sector client in each period, and is necessary due to the inflationary nature of the unitary payments. As a consequence of this adjustment to turnover, which is negative in the first half of the concession and positive in the second half (and must net out over the whole concession), a unitary payment control account creditor is recorded on the balance sheet.

Basic financial instruments

(a) Trade and other debtors / creditors

Trade and other debtors are recognized initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

(b) Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognized initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(d) Restricted cash

The company is obligated to keep a separate cash reserve in respect of future financing costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £838,000 at the year end (2019: £851,000).

The company is also obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £950,000 at the year end (2019: £856,000).

(e) Current asset investments

Current asset investments comprise amounts held on deposit which mature more than 90 days after the balance sheet date.

Other financial instruments

(a) Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognized initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognized in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognized as set out below.

(b) Derivative financial instruments and hedging

Derivative financial instruments are recognized at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

(c) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income (OCI). Any ineffective portion of the hedge is recognized immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognized in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognized in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognized in equity is recognized in the income statement immediately.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Interest receivable and interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above. Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

3. Turnover

The turnover and loss before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	2020	2019
	£'000	£'000
Operational services	1,357	1,376
	1,357	1,376

The turnover arose entirely within the United Kingdom.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

4. Employees and directors

	2020	2019
	£'000	£'000
Recharges in respect of non-executive directors' services	<u>14</u>	<u>14</u>

The company had no employees during the year (2019: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges. The Directors received no remuneration for their services during the year (2019: £nil). A payment is made for the services of the non-executive directors to their employer.

5. Operating (loss)/profit

The operating loss (2019 - operating profit) is stated after charging:

	2020	2019
	£'000	£'000
Audit of these financial statements	11	9
Audit of the financial statements of parent company	<u>2</u>	<u>2</u>

6. Interest receivable and similar income

	2020	2019
	£'000	£'000
Deposit account interest	13	18
Finance debtor interest	<u>972</u>	<u>1,022</u>
	<u>985</u>	<u>1,040</u>

7. Interest payable and similar expenses

	2020	2019
	£'000	£'000
Senior loan interest	776	833
Loan stock interest	<u>221</u>	<u>226</u>
	<u>997</u>	<u>1,059</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

8. Taxation

Analysis of the tax charge/(credit)

The tax charge/(credit) on the loss for the year was as follows:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	(4)	(1)
Adjustment in respect of prior periods	108	(89)
Effects of group relief	-	(2)
	<u>104</u>	<u>(92)</u>
Tax on loss		

UK corporation tax has been charged at 19% (2019 - 19%).

Tax on items charged to equity

	2020 £'000	2019 £'000
Origination and reversal of timing differences	35	15
Effect of changes in tax rate	(62)	10
	<u></u>	<u></u>

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Loss before tax	(19)	(3)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(4)	(1)
Effects of:		
Adjustments to tax charge in respect of previous periods	108	(89)
Effects of group relief	-	(2)
Total tax charge/(credit)	<u>104</u>	<u>(92)</u>

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2020 Net £'000
Effective portion of changes in fair value of cash flow hedges	(413)	(86)	(499)
Net change in fair value of cash flow hedges recycled to profit and loss	594	113	707
	<u>181</u>	<u>27</u>	<u>208</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

8. Taxation - continued

	Gross £'000	Tax £'000	2019 Net £'000
Effective portion of changes in fair value of cash flow hedges	(514)	(135)	(649)
Net change in fair value of cash flow hedges recycled to profit and loss	583	110	693
	<u>69</u>	<u>(25)</u>	<u>44</u>

Factors that may affect future tax charges

On 3 March 2021, the UK Chancellor announced that the main rate of UK corporation tax will be increasing to 25% with effect from 1 April 2023. As the change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of the change in corporation tax rate, had it been substantively enacted by the balance sheet date, would be to increase the tax on the Other Comprehensive Loss for the year by £29,000 and increase the deferred tax asset by £29,000. There would be no effect on the tax on the profit for the year.

9. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	2	2
Finance debtor	834	781
Amounts owed by group undertakings		111
Other debtors		23
Lifecycle debtor	837	752
Deferred tax asset		
Other timing differences	1	
Prepayments and accrued income	13	14
	<u>1,685</u>	<u>1,683</u>
Amounts falling due after more than one year:		
Finance debtor	13,327	14,160
Deferred tax asset		
Other timing differences	561	534
	<u>13,888</u>	<u>14,694</u>
Aggregate amounts	<u>15,573</u>	<u>16,377</u>

The lifecycle debtor represents the difference between the cumulative charge to profit and loss and the cumulative amount of cash expenditure paid to the lifecycle sub-contractor. Lifecycle expenditure is charged to profit and loss on a systematic basis, so as to give an annual charge, increasing with inflation each year, which in total equates to the total amount of the forecast lifecycle expenditure to be paid over the whole concession. The amounts and timing of these payments are defined in the sub-contract agreement.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

10. Current asset investments

	2020	2019
	£'000	£'000
Cash held on deposits maturing within one year	-	1,670

11. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Senior loan (see note 13)	1,018	968
Trade creditors	7	17
Amounts owed to group undertakings	248	150
VAT	57	33
Other creditors	3,490	3,127
Accruals and deferred income	22	19
	<u>4,842</u>	<u>4,314</u>

The amounts owing to group undertakings are unsecured.

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

	2020	2019
	£'000	£'000
Senior loan (see note 13)	10,884	11,845
Amounts owed to group undertakings	1,901	1,946
Other financial liabilities (see note 14)	<u>2,873</u>	<u>3,055</u>
	<u>15,658</u>	<u>16,846</u>

The amounts owing to group undertakings are unsecured.

13. Loans

An analysis of the maturity of loans is given below:

	2020	2019
	£'000	£'000
Amounts falling due within one year or on demand:		
Senior loan	<u>1,018</u>	<u>968</u>
Amounts falling due between one and two years:		
Senior loan	<u>1,040</u>	<u>962</u>
Amounts falling due between two and five years:		
Senior loan	<u>3,550</u>	<u>3,296</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Senior loan	<u>6,294</u>	<u>7,587</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

13. Loans - continued

Amounts owed to group includes an amount of £1,448,000 (2019: £1,548,000) which is repayable after more than five years.

Terms and debt repayment schedule

The total cash repayable on the loan is as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment Schedule	2020 £'000	2019 £'000
Senior loan - Tranche A	GBP	LIBOR + 0.95%	2030	Quarterly	10,097	10,948
Senior loan - Tranche B	GBP	LIBOR + 0.90%	2030	Quarterly	1,748	1,883
Amounts owing to group	GBP	11%	2032	Semi-annual	1,986	2,021

The senior loan is secured by a fixed and floating charge over the assets of the company. The amounts owing to parent company are unsecured.

The full amount of loan drawdown at 31 December 2020 is £11,845,000 (2019: £12,832,000). Unamortised costs of £86,000 (2019: £67,000), have been netted off against to total loan drawdowns.

14. Other financial liabilities

	2020 £'000	2019 £'000
Amounts falling due after more than one year:		
Interest rate swap contract	2,873	3,055

Derivative financial instruments measured at fair value

The fair value of interest rate swaps is provided by the swap counterparty.

15. Deferred tax

	£'000
Balance at 1 January 2020	(534)
Credit to Statement of Comprehensive Income during year	(27)
Balance at 31 December 2020	(561)

The net reversal of the deferred tax asset expected to occur in the next reporting period is estimated to be £67,000 (2019: £95,000) based on the anticipated recycling of cash flow hedges to profit and loss and changes in fair values of the cash flow hedging instruments.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

16. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2020 £'000 20	2019 £'000 20
20,000	Ordinary £1 (2019: £1)		<u>20</u>	<u>20</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The company paid no dividends in the current financial year (2019: £nil).

17. Reserves

	Retained earnings £'000	Cash flow hedging reserve £'000	Totals £'000
At 1 January 2020	(356)	(2,535)	(2,891)
Deficit for the year	(123)	-	(123)
Cash flow hedging reserve	-	208	208
At 31 December 2020	<u>(479)</u>	<u>(2,327)</u>	<u>(2,806)</u>

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Profit and loss account

The profit and loss account records accumulated losses.

18. Ultimate parent company

The company's immediate parent is FocusEducation (Lincolnshire) Holdings Limited a company incorporated in England and Wales.

FocusEducation (Lincolnshire) Holdings Limited is 100% owned by FocusEducation Limited, which is 100% owned by Consolidated Investment Holdings Limited.

The ultimate parent company is Consolidated Investment Holdings Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Consolidated Investment Holdings Limited incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.