

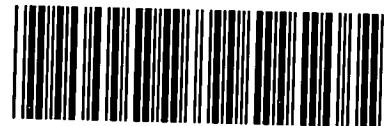
Harrow Community Schools PFI Ltd

Annual report and financial statements

Registered number 04364914

Year ended 31 August 2020

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Company Information

The Board of Directors

A Joshi
L J Falero

Company Secretary

Imagile Secretariat Services Limited

Registered Office

Third Floor Broad Quay House
Prince Street
Bristol
BS1 4DJ

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Directors' Report

for the year ended 31 August 2020

The Directors present their annual report and the audited financial statements of Harrow Community Schools PFI Ltd (the "Company") for the year ended 31 August 2020.

Principal activity

The principal activity of the Company is the operation and management of three schools on two sites under a Private Finance Initiative ("PFI") with London Borough of Harrow.

The construction phase of the project was completed in February 2006 in line with the original programme and full operational services commenced thereafter. The duration of the contract will be 30 years.

The Directors have reviewed the activities of the business for the year and the position as at 31 August 2020 and consider them to be satisfactory.

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider but the quantum is an indication of unsatisfactory performance. Total deductions in the year were £15,661 (2019: £13,172).

2. Financial performance

The Directors have modelled the anticipated financial outcome of the concession across its full term. The Directors monitor actual performance against this anticipated performance. As at 31 August 2020 the Company's performance against this measure was satisfactory.

Principal risks and uncertainties

The Company's revenue is based on a fixed price contract, subject to adjustments for retail price index increases. Therefore, profit margins are susceptible to inflation rate fluctuations. In order to manage this risk, the Company has ensured that costs are fixed wherever possible. In addition, under the terms of the contracts with subcontractors, certain costs will be periodically reviewed, usually by means of benchmarking, with possibilities of price reductions being agreed in the future. In addition, in most cases, contractual costs will be subject to retail price index increases.

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments. There is ongoing direct correspondence with the Authority and the Company continues to receive the full Unitary Charge income.

The facilities management operations of the schools are subcontracted out. Significant risks are passed down to the key subcontractors within limits set out as liability caps. However, contractual default by these subcontractors or losses/deductions reaching the liability caps would transfer the risks back to the Company.

Under the PFI project agreement with the London Borough of Harrow, any general change in law risk is transferred to the Company. However, some risks are passed on to subcontractors, e.g. during the construction phase this risk is passed down to building subcontractors, during the services phase this risk is transferred to the facilities management providers' subcontractors under the facilities management contract.

Directors' Report (*continued*) **for the year ended 31 August 2020**

Financial Risk Management

The Company has exposure 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 bank loan and subordinated debt interest rates have been fixed through use of fixed funding rates, plus a margin. Details of these can be found in note 11. All other interest bearing assets and liabilities, including the subordinated debt, are primarily of fixed rate.

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 the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Results and dividends

The results for the year are shown in the Statement of comprehensive income on page 8.

The Company paid an interim dividend of £214,849 during the year (2019: £315,721). The Directors do not propose to pay a final dividend in respect of 2020 (2019: £nil).

Directors

The Directors of the Company who held office during the year and to the date of signing these financial statements are listed below:

A Joshi (appointed 14 October 2019)
A Waddington (resigned 14 October 2019)
L J Falero

Strategic Report exemption

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption. Accordingly, no Strategic Report has been prepared.

Employees

The Company has no employees (2019: nil)

Political and charitable contributions

The Company made no political or charitable contributions during the current year (2019: £nil).

Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to August 2033.

The Company remains in compliance with the terms and covenants of its service level and loan agreements and is forecast to meet them for the foreseeable future and receipts under the unitary charge have been confirmed, such that the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

Directors' Report (*continued*)
for the year ended 31 August 2020

Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to Section 418(2) of the Companies Act 2006 and should be interpreted in accordance therewith.

On behalf of the Board

A Joshi
Director

Amit Joshi 12 February 2021

Statement of directors' responsibilities in respect of the financial statements

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;
- 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.

Independent auditors' report to the members of Harrow Community Schools PFI Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Harrow Community Schools PFI Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 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 August 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 August 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 in respect of the financial statements set out on page 5, 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.

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 received 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
Edinburgh
12 February 2021

Statement of Comprehensive Income

| | | Year ended 31 August 2020 £ | 14 month period ended 31 August 2019 £ |
|--|-------|--------------------------------------|--|
| | Notes | | |
| Turnover | 2 | 1,720,205 | 1,978,773 |
| Cost of sales | | (1,280,336) | (1,481,391) |
| Gross profit | | 439,869 | 497,382 |
| Administrative expenses | | (13,594) | (10,874) |
| Operating profit | | 426,275 | 486,508 |
| Interest receivable and similar income | 5 | 746,752 | 921,284 |
| Interest payable and similar expenses | 6 | (647,270) | (800,815) |
| Profit before taxation | | 525,757 | 606,977 |
| Tax on profit | 7 | (99,893) | (122,828) |
| Profit and total comprehensive income for the financial year/period | | 425,864 | 484,149 |

The notes on pages 11 to 20 form an integral part of these financial statements.

Balance Sheet

as at 31 August 2020

| | Notes | 31 August 2020 £ | 31 August 2019 £ |
|---|-------|------------------------|------------------------|
| Current assets | | | |
| Debtors: due after more than one year | 8 | 9,972,706 | 10,495,167 |
| Debtors: due within one year | 8 | 562,641 | 805,655 |
| Cash at bank | | 3,019,558 | 2,599,555 |
| Total current assets | | 13,554,905 | 13,900,377 |
| Creditors: amounts falling due within one year | 9 | (3,708,116) | (3,668,336) |
| Net current assets | | 9,846,789 | 10,232,041 |
| Creditors: amounts falling due after more than one year | 10 | (8,837,304) | (9,433,571) |
| Net assets | | 1,009,485 | 798,470 |
| Capital and reserves | | | |
| Called up share capital | 12 | 12,499 | 12,499 |
| Share premium reserve | 13 | 12,499 | 12,499 |
| Profit and loss account | 12 | 984,487 | 773,472 |
| Total shareholder's funds | | 1,009,485 | 798,470 |

The notes on pages 11 to 20 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 12 February 2021 and were signed on its behalf by:

A Joshi
Director

Company registered number: 04364914

Amit Joshi

Statement of Changes in Equity

for the year ended 31 August 2020

| | Notes | Called up share capital £ | Share premium reserve £ | Profit and loss account £ | Total Equity £ |
|--|-------|---------------------------------|---------------------------------|---------------------------------|-------------------|
| Balance at 1 July 2018 | | 12,499 | 12,499 | 605,044 | 630,042 |
| Profit and total comprehensive income for the period | | - | - | 484,149 | 484,149 |
| Total comprehensive income for the period | | - | - | 484,149 | 484,149 |
| Dividends | 14 | - | - | (315,721) | (315,721) |
| Total contributions by and distributions to owners | | - | - | (315,721) | (315,721) |
| Balance at 31 August 2019 | | 12,499 | 12,499 | 773,472 | 798,470 |
| | | Called up share capital £ | Profit and loss account £ | Profit and loss account £ | Total Equity £ |
| Balance at 1 September 2019 | | 12,499 | 12,499 | 773,472 | 798,470 |
| Profit and total comprehensive income for the year | | - | - | 425,864 | 425,864 |
| Total comprehensive income for the year | | - | - | 425,864 | 425,864 |
| Dividends | 14 | - | - | (214,849) | (214,849) |
| Total contributions by and distributions to owners | | - | - | (214,849) | (214,849) |
| Balance at 31 August 2020 | | 12,499 | 12,499 | 984,487 | 1,009,485 |

The notes on pages 11 to 20 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Harrow Community Schools PFI Ltd is a private company limited by shares registered, incorporated and domiciled in England and Wales in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentational currency of these financial statements is sterling.

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

- Service concession arrangements - The Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the 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 and estimates in applying the Company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires the estimation of service margins, finance debtors interest rates and an associated amortisation profile which is based on forecasted results of the PFI contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, actual expenditure is compared to the lifecycle forecast on a quarterly basis.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. The presentation currency of these financial statements is sterling and amounts have been rounded to the nearest whole £, unless otherwise stated.

1.2 Going concern

The shareholder's funds at 31 August 2020 show a surplus of £1,009,485 (2019: £798,470). The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to August 2033. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

Notes (continued)

1.2 Going concern (continued)

The Company's operating cash inflows are largely dependent on unitary charge receipts and, having given due regard to Procurement Policy Note 02/20 issued by the Cabinet Office in March 2020, the Directors expect these amounts to be received even in severe but plausible downside scenarios. Unitary charge receipts have been received in full to date.

The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

1.3 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Basic financial instruments

The Company has applied Section 11 and 12 of FRS 102 in respect of the recognition of financial instruments.

Trade and other debtors / creditors

Trade and other debtors are recognised 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 interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs and debt service. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £928,893 at the year end (2019: £944,581).

Notes (continued)

1.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.6 Finance debtor and service income

The Company is an operator of a PFI contract, which was entered into prior to transition to FRS 102. Therefore the accounting has been continued using the accounting policies applied prior to the date of transition to FRS 102 as follows. The underlying asset was not deemed to be an asset of the Company under FRS 5, Application Note G, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority. The Company elected to grandfather this treatment following the transition and adoption of FRS102.

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. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.7 Expenses

Interest receivable and Interest payable

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

Other 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 income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.8 Taxation

Tax on the profit or loss for the year comprises current 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.

1.9 Turnover

Turnover is recognised in accordance with the finance debtor and service income accounting policies above and excludes VAT.

Notes (continued)

2 Turnover

| | Year ended 31 August 2020 £ | 14 month period ended 31 August 2019 £ |
|-----------------|--------------------------------------|--|
| Service income | 1,559,389 | 1,804,509 |
| Recharge income | 160,816 | 174,264 |
| | 1,720,205 | 1,978,773 |

All turnover is generated in the United Kingdom.

3 Auditors' remuneration

| | Year ended 31 August 2020 £ | 14 month period ended 31 August 2019 £ |
|-------------------------------------|--------------------------------------|--|
| Audit of these financial statements | 8,610 | 8,200 |

4 Directors' remuneration

The Directors received no emoluments from the Company (2019: £nil). Directors fees of £55,495 (2019: £63,055) are payable to the parent company for services provided by the directors. See Note 16.

5 Interest receivable and similar income

| | Year ended 31 August 2020 £ | 14 month period ended 31 August 2019 £ |
|------------------------------------|--------------------------------------|--|
| Finance debtor interest receivable | 732,983 | 903,090 |
| Bank interest receivable | 12,055 | 17,444 |
| Other interest receivable | 1,714 | 750 |
| | 746,752 | 921,284 |

Notes (continued)

6 Interest payable and similar expenses

| | Year ended 31 August 2020 £ | 14 month period ended 31 August 2019 £ |
|---------------------------------------|--------------------------------------|--|
| Interest payable on bank loans | 588,859 | 733,010 |
| Interest payable on subordinated debt | 50,351 | 58,742 |
| Bank fees payable | 8,060 | 9,063 |
| | <u>647,270</u> | <u>800,815</u> |

7 Taxation

Total tax expense recognised in the Statement of other comprehensive income

| | Year ended 31 August 2020 £ | 14 month period ended 31 August 2019 £ |
|--------------------------------------|--------------------------------------|--|
| Current tax | 99,893 | 115,326 |
| Adjustments in respect of prior year | - | 7,502 |
| Total Tax | <u>99,893</u> | <u>122,828</u> |

Reconciliation of effective tax rate

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 19% (2019: 19%).

| | Year ended 31 August 2020 £ | 14 month period ended 31 August 2019 £ |
|---|--------------------------------------|--|
| Profit after tax | 425,864 | 484,149 |
| Total tax expense | <u>99,893</u> | <u>122,828</u> |
| Profit before taxation | 525,757 | 606,977 |
| Taxation using the UK corporation tax rate of 19% (2019: 19%) | 99,893 | 115,326 |
| Adjustment in respect of prior year | - | 7,502 |
| | <u>99,893</u> | <u>122,828</u> |

Notes (continued)

8 Debtors

| | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| | £ | £ |
| Finance debtor | 10,495,167 | 10,983,633 |
| Corporation tax | 2,800 | 4,477 |
| Trade debtors | 7,235 | 291,083 |
| Prepayments and accrued income | 30,145 | 21,629 |
| | <u>10,535,347</u> | <u>11,300,822</u> |
| Due within one year | 562,641 | 805,655 |
| Due after more than one year | 9,972,706 | 10,495,167 |
| | <u>10,535,347</u> | <u>11,300,822</u> |

9 Creditors: amounts falling due within one year

| | 31 August 2020 | 31 August 2019 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Bank loan (note 11) | 608,722 | 634,746 |
| Trade creditors | 69,408 | 126,606 |
| Amounts owed to group undertakings | 208,517 | 91,706 |
| Taxation and social security | 67,983 | 38,295 |
| Accruals and deferred income | 2,753,486 | 2,776,983 |
| | <u>3,708,116</u> | <u>3,668,336</u> |

Amounts owed to group undertakings relate to Group Relief refunds received from HMRC payable to DIF Infra Yield 1 UK Limited in respect of losses surrendered by DIF Infra Yield 1 UK Limited to the Company within the 2016, 2017 and 2018 tax returns.

10 Creditors: amounts falling after more than one year

| | 2020 | 2019 |
|---|------------------|------------------|
| | £ | £ |
| Creditors falling due more than one year | | |
| Bank loan (note 11) | 8,418,858 | 9,015,125 |
| Loan stock (note 11) | 418,446 | 418,446 |
| | <u>8,837,304</u> | <u>9,433,571</u> |

Notes (continued)

11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

| | 31 August 2020 £ | 31 August 2019 £ |
|--|------------------------|------------------------|
| Creditors falling due more than one year | | |
| Bank loan | 8,418,858 | 9,015,125 |
| Loan stock | 418,446 | 418,446 |
| | <hr/> | <hr/> |
| Creditors falling within less than one year | | |
| Bank loan | 608,722 | 634,746 |
| | <hr/> | <hr/> |

Included within Bank loan is an amount repayable after five years of £6,135,610 (2019: £6,927,243) and included within subordinated debt are amounts repayable after five years of £418,446 (2019: £418,446) respectively.

Terms and debt repayment schedule

| | Currency | Nominal interest rate | Year of Maturity | Repayment schedule | 2020 £ | 2019 £ |
|------------|----------|-----------------------|------------------|-------------------------------|-----------|-----------|
| Bank loan | GBP | 6.04% | 2032 | Quarterly | 9,167,713 | 9,802,460 |
| Loan stock | GBP | 12% | 2033 | Deferred to end of concession | 418,446 | 418,446 |

Bank Loan

The bank loan has a fixed interest rate of 5.19% plus a margin of 0.85%. The bank loan is secured, in favour of Nationwide Building Society, with fixed and floating charges over the Company and all of its property, assets, present and future, including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant and machinery. There is also a legal mortgage of shares owned in the Company by its shareholders in favour of Nationwide Building Society as security for the payment of all obligations and liabilities owed by the Company to Nationwide. Excluded from the above balances are loan issue costs amortised year to date of £140,133 (2019: £152,589).

Loan Stock

As at 31 August 2020, the loan stock is subscribed for by DIF Infra Yield 1 UK Limited. The loan stock has an interest coupon of 12%. The loan stock owed by the Company to DIF Infra Yield 1 UK Limited is secured by way of a second legal mortgage of shares owned in the Company in favour of DIF Infra Yield 1 UK Limited.

Notes (continued)

12 Share Capital

| | 2020 No. | 2020 £ |
|---|-------------|-----------|
| At the start and end of the year / period | | |
| Ordinary Shares of £0.50 each | 24,998 | 12,499 |

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 profit and loss reserve contains the cumulative retained earnings carried forward less distributions to owners.

13 Share premium reserves

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| At the start and end of the year / period | 12,499 | 12,499 |

14 Dividends

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Interim dividend of £8.59 per ordinary share (2019: £12.63) | 214,849 | 315,721 |

Notes (continued)

15 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

| | 31 August 2020 £ | 31 August 2019 £ |
|--|------------------------|------------------------|
| Assets measured at amortised cost | | |
| - Finance debtor | 10,495,167 | 10,983,633 |
| - Trade debtors | 7,235 | 291,083 |
| - Accrued income | 30,145 | 21,629 |
| | 10,532,547 | 11,296,345 |
| Assets measured at cost less impairment | | |
| - Cash | 3,019,558 | 2,599,555 |
| | 3,019,558 | 2,599,555 |
| Liabilities measured at amortised cost | | |
| - Trade and other payables | 69,408 | 126,606 |
| - Accruals | 2,753,486 | 2,776,983 |
| - Bank loan | 9,027,580 | 9,649,871 |
| - Loan stock | 418,446 | 418,446 |
| | 12,268,920 | 12,971,906 |

No assets or liabilities are held at fair value.

Notes (continued)

16 Related parties

The details of the related party transactions are detailed as follows:

| | Transactions | | Payable to | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Subordinated debt interest | | | | |
| - DIF Yield 1 UK Limited | 50,351 | 58,742 | 16,921 | 16,921 |
| Subordinated debt principal | | | | |
| - DIF Yield 1 UK Limited | - | - | 418,446 | 418,446 |
| Directors Fees | | | | |
| - DIF Yield 1 UK Limited | 55,495 | 63,055 | - | - |
| Group Relief | | | | |
| - DIF Infra Yield 1 UK Limited | - | - | 208,517 | 91,706 |
| | 105,846 | 121,797 | 643,884 | 527,073 |

17 Ultimate parent undertaking and controlling party

The immediate parent company of Harrow Community Schools PFI Ltd is DIF Infra Yield 1 UK Limited which is registered in England and Wales, 2nd Floor 16 Stratford Place, Marylebone, London WC1 1BF. Copies of the financial statements of the parent company are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent undertaking is DIF Infrastructure Yield 1 Coöperatief U.A. and is owned by the Investors (none of them owns 25% or more in the Fund).

The directors consider there to be no ultimate controlling entity.