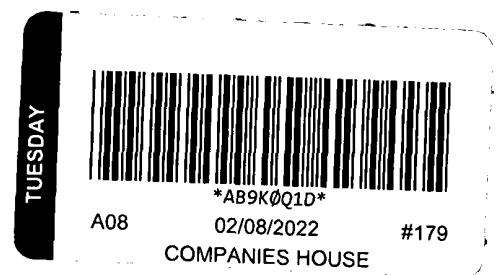


REGISTERED NUMBER: 04402652 (England and Wales)

**Directors' Report and
Audited Financial Statements for the Year Ended 31 December 2021
for
FocusEducation (Newcastle) Limited**



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for the year ended 31 December 2021**

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FocusEducation (Newcastle) Limited

Company Information for the year ended 31 December 2021

Directors:

M Donn
L W McKenna
C T Solley
J H Potgieter

Secretary:

A Mitchell

Registered office:

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

Registered number:

04402652 (England and Wales)

Independent auditors:

Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

Bankers:

Bank of Scotland
11 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors:

CMS Cameron McKenna LLP
Mitre House
160 Aldergate Street
London
EC14 4DD

**Directors' Report
for the year ended 31 December 2021**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2021.

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 Newcastle for the period until 31 March 2029 under a concession agreement with The Council of the City of Newcastle Upon Tyne. The agreement to provide new schools and associated facilities management was signed on 18 April 2002.

Review of business

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

Results

The profit for the financial year is £610,000 (2020: £502,000).

Dividends

The directors recommend a dividend of £322,000 in the year (2020 £482,000).

Principal risks and uncertainties

As the project is in its operational phase, operational risks are monitored closely. This takes the form of representation on site through the Company's management services agent and periodic reporting by the independent technical assessor.

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 and there are mechanisms in place within the terms of the concession agreement with The Council of the City of Newcastle Upon Tyne to share any extremes of costs or savings against budget.

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

The Company's revenues have largely been in line with expectations, with very few deductions applied for non-availability of the assets. Any such deductions are passed down to the subcontractors so there is no direct financial consequence to the Company. Sustained non-availability can lead to contract termination but the company is not anywhere close to such termination trigger points. Compliance with the detailed and complex operational requirements of the PFI projects remains a key risk given the potential termination consequences. Directors receive regular reports on actual performance compared to termination trigger thresholds.

Another risk is the continued funding from the public sector counterparties to the PFI project agreements, especially as these counterparties are under pressure to make savings in their operational PFI contracts. To date, most of the pressure to make such cost savings has fallen on the sub-contractors to the project companies rather than on the project companies themselves. Furthermore, it is understood that current policy from central government is not to encourage voluntary termination of PFI projects.

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.

**Directors' Report
for the year ended 31 December 2021**

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
C T Solley
J H Potgieter

The directors holding office at 31 December 2021 did not hold any beneficial interest in the issued share capital of the company at 1 January 2021 or 31 December 2021.

Directors indemnity insurance

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of approval of the financial statements.

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.

Interest rate risk

The term loan is exposed to interest rate risk. The Company has entered into a fixed interest rate swap to avoid volatility on debt service costs on its floating rate debt. 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.

**Directors' Report
for the year ended 31 December 2021**

Going concern

The Company currently has £12,968,000 of total debt (2020: £15,490,000). Whilst it has net liabilities of £278,000 in 2021 (2020: £1,290,000), this is mainly as a result of accounting for the fair value of interest rate swap agreements, the majority of which do not crystallise as liabilities for a number of years and as such the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities.

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2029. The company has considerable financial resources together with long-term contracts with the Council. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

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.

Strategic report

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

Independent Auditors

Johnston Carmichael LLP were appointed as the auditor of the company for the year ended 31 December 2021 in place of returning auditor, PwC.

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and Johnston Carmichael LLP will therefore continue in office.

On behalf of the board:



.....
C T Solley - Director

22 / 07 / 2022
Date:

**Statement of Directors' Responsibilities
for the year ended 31 December 2021**

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.

FocusEducation (Newcastle) Limited

Independent Auditor's Report to the Members of FocusEducation (Newcastle) Limited for the year ended 31 December 2021

Independent Auditor's Report to the Members of FocusEducation (Newcastle) Limited

Opinion

We have audited the financial statements of FocusEducation (Newcastle) Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

FocusEducation (Newcastle) Limited

Independent Auditor's Report to the Members of FocusEducation (Newcastle) Limited for the year ended 31 December 2021

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit ; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

FocusEducation (Newcastle) Limited

Independent Auditor's Report to the Members of FocusEducation (Newcastle) Limited for the year ended 31 December 2021

Extent to which the audit is considered capable of detecting irregularities, including fraud

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

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

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

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

- FRS 102
- Companies Act 2006
- Corporation Tax legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns and board meeting minutes.

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

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

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

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

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

FocusEducation (Newcastle) Limited
Independent Auditor's Report to the Members of FocusEducation (Newcastle)
Limited for the year ended 31 December 2021

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Jenny Junnier (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

22 / 07 / 2022
.....

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

FocusEducation (Newcastle) Limited (Registered number: 04402652)

**Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
Turnover	3	3,251	3,080
Cost of sales		(2,808)	(2,633)
Gross profit		443	447
Administrative expenses		(250)	(256)
Operating profit	5	193	191
Interest receivable and similar income	6	1,381	1,538
Interest payable and similar expenses	7	(932)	(1,116)
Profit before taxation		642	613
Tax on profit	8	(32)	(111)
Profit for the financial year		610	502
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		220	(320)
Net change in fair value of cash flow hedges recycled to profit and loss		640	723
Income tax relating to components of other comprehensive income		(136)	(36)
Other comprehensive income for the year, net of income tax		724	367
Total comprehensive income for the year		1,334	869

The notes on pages 13 to 26 form part of these financial statements

FocusEducation (Newcastle) Limited (Registered number: 04402652)

Balance Sheet
31 December 2021

	Notes	2021 £'000	Restated 2020 £'000
Current assets			
Debtors: amounts falling due within one year	10	3,813	3,141
Debtors: amounts falling due after more than one year	10	17,647	20,096
Cash at bank		3,696	4,313
		<u>25,156</u>	<u>27,550</u>
Creditors: amounts falling due within one year	11	<u>(3,256)</u>	<u>(2,931)</u>
Net current assets		<u>21,900</u>	<u>24,619</u>
Total assets less current liabilities		<u>21,900</u>	<u>24,619</u>
Creditors: amounts falling due after more than one year	12	<u>(22,178)</u>	<u>(25,909)</u>
Net liabilities		<u>(278)</u>	<u>(1,290)</u>
Capital and reserves			
Called up share capital	16	37	37
Other reserves	17	(714)	(1,438)
Retained earnings	17	399	111
Shareholder funds		<u>(278)</u>	<u>(1,290)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 / 07 / 2022 and were signed on its behalf by:



.....
C T Solley - Director

The notes on pages 13 to 26 form part of these financial statements

**Statement of Changes in Equity
for the year ended 31 December 2021**

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2020	37	91	(1,804)	(1,676)
Changes in equity				
Dividends	-	(482)	-	(482)
Total comprehensive income	-	502	-	502
Effective portion of changes in fair value of cash flow hedges	-	-	(320)	(320)
Net change in fair value of cash flow hedges recycled to profit and loss	-	-	723	723
Income tax on other comprehensive income	-	-	(37)	(37)
Balance at 31 December 2020	37	111	(1,438)	(1,290)
Changes in equity				
Dividends	-	(322)	-	(322)
Total comprehensive income	-	610	-	610
Effective portion of changes in fair value of cash flow hedges	-	-	220	220
Net change in fair value of cash flow hedges recycled to profit and loss	-	-	640	640
Income tax on other comprehensive income	-	-	(136)	(136)
Balance at 31 December 2021	37	399	(714)	(278)

The notes on pages 13 to 26 form part of these financial statements

**Notes to the Financial Statements
for the year ended 31 December 2021**

1. Statutory information

FocusEducation (Newcastle) Limited is a private company, limited by shares, registered 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 Companies Act 2006 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). All amounts in the financial statements have been rounded to the nearest £1,000.

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:

- 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 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:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

Related party and financial instrument exemptions

The Company is wholly owned by FocusEducation (Newcastle) Holdings Limited which, in turn, is wholly owned by Consolidated Investment Holdings Limited and has therefore taken the exemption in section 33 of FRS 102 'Related Party Disclosures' that allows it not to disclose transactions with wholly owned members of a group.

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 FRS 102 (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.

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.

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

2. Accounting policies - continued

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.

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

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.

Going concern

The Company currently has £12,968,000 of total debt (2020: £15,490,000). Whilst it has net liabilities of £278,000 in 2021 (2020: £1,290,000), this is mainly as a result of accounting for the fair value of interest rate swap agreements, the majority of which do not crystallise as liabilities for a number of years and as such the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities.

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2029. The company has considerable financial resources together with long-term contracts with the Council. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Since the COVID-19 outbreak, the customer, Newcastle City Council, has 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 2021**

2. Accounting policies - continued

Classification of financial instruments issued by the company

In accordance with Section 22 of 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.

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 company's accounting policies are described below:

- Fair value 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 method and forecast assumptions for future interest rates or inflation rates are specific to the counterparty. The Directors do not consider the impact of own credit risk to be material.

- The fair value of derivative financial instruments at the balance sheet date was a liability of £916,000 (2020: £1,775,000 liability). Following LIBOR reform, it is expected that changes to the hedging instrument and the loan will be materially consistent and limited to the transition from LIBOR to the new benchmark.

- As noted in the Finance debtor and service income accounting policy note, management use their judgement in selecting the appropriate interest rate to be applied to the finance debtor in order to allocate the unitary payments received from between revenue, capital repayment and interest income on the financial debtor; and also, the service margin that is used to recognise service revenue.

Basic 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 instrument for a similar debt instrument.

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

2. Accounting policies - continued

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 term deposits which can be called upon at short notice without material penalty.

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" balance, amounts to £1,565,000 at the year end (2020: £1,618,000).

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" balance, amounts to £1,998,000 at the year end (2020: £2,421,000).

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 Council.

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 Newcastle City Council relating to the schools transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance interest 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 generally positive in the first half of the concession and negative in the second half (and must net out over the whole concession), a unitary payment control account creditor is recorded on the balance sheet.

Other financial instruments

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

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

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

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised 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).

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

2. Accounting policies - continued

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised 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 recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised 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 recognised 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 recognised in equity is recognised in the income statement immediately.

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.

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 or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable or receivable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

2. Accounting policies - continued

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.

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.

Interest receivable and interest payable

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. Other interest receivable and similar income is recognised in profit or loss as it accrues.

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees. Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Reclassification of comparative information

The following reclassification of comparative information has been made to more appropriately reflect its nature:

Note 11 and Note 12 - The amount payable £11,200,000 in respect of the unitary payment account has been reclassified from creditors due within one year.

3. Turnover

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

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

	2021	Restated 2020
	£'000	£'000
Operational services	2,759	2,699
Recharge income (pass through)	492	381
	<u>3,251</u>	<u>3,080</u>

The turnover arose entirely within the United Kingdom.

Certain costs of sale to the company are recharged on to the Council without margin. The revenue and costs associated with the prior year were previously excluded in the numbers reported for the comparative period, but have been included in both the current and prior year figures in this set of accounts. This adjustment has no impact on the profit reported.

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

4. Employees and directors

	2021	2020
	£'000	£'000
Recharges in respect of non-executive directors' services	<u>112</u>	<u>109</u>

The Company had no employees during the year (2020: 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 (2020: £nil). A payment is made for the services of the non-executive directors to their employer.

5. Operating profit

The operating profit is stated after charging:

	2021	2020
	£'000	£'000
Amounts receivable by the auditors and their associates in respect of: Audit of these financial statements	<u>16</u>	<u>13</u>
	<u>16</u>	<u>13</u>

Included in the fee above is £2,500 (2020: £2,000) for the audit of the parent entity FocusEducation (Newcastle) Holdings Limited.

6. Interest receivable and similar income

	2021	2020
	£'000	£'000
Bank interest	3	28
Finance debtor interest receivable	<u>1,378</u>	<u>1,510</u>
	<u>1,381</u>	<u>1,538</u>

7. Interest payable and similar expenses

	2021	2020
	£'000	£'000
Senior loan interest	779	951
Loan stock interest	<u>153</u>	<u>165</u>
	<u>932</u>	<u>1,116</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

8. Tax on profit

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	32	111
Tax on profit	<u>32</u>	<u>111</u>

UK corporation tax has been charged at 19% (2020 - 19%).

Tax on items charged to equity

	2021 £'000	2020 £'000
Origination and reversal of timing differences	(174)	(66)
Effects of changes in tax rate	<u>122</u>	<u>137</u>

Reconciliation of total tax charge included in profit and loss

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

	2021 £'000	2020 £'000
Profit before tax	<u>642</u>	<u>613</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	122	116
Effects of:		
Adjustments to tax charge in respect of previous periods	(3)	(5)
Effects of group relief	<u>(87)</u>	<u>-</u>
Total tax charge	<u>32</u>	<u>111</u>

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2021 Net £'000
Effective portion of changes in fair value of cash flow hedges	220	(15)	205
Net change in fair value of cash flow hedges recycled to profit and loss	<u>640</u>	<u>(122)</u>	<u>518</u>
	<u>860</u>	<u>(136)</u>	<u>723</u>

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

8. Tax on profit - continued

	Gross £'000	Tax £'000	2020 Net £'000
Effective portion of changes in fair value of cash flow hedges	(320)	101	(219)
Net change in fair value of cash flow hedges recycled to profit and loss	723	(137)	586
	<u>403</u>	<u>(36)</u>	<u>367</u>

Factors that may affect future tax charges

Corporation tax will remain at 19% until March 2023. From 2023 the main rate will increase to 25% for business profits made by the Company over £250,000. A small profit rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

9. Dividends

	2021 £'000	2020 £'000
Ordinary £1 (2020: £1) shares of £1 each Dividends	<u>322</u>	<u>482</u>

Dividend per share of £8.70 was paid in the year (2020: £13.03).

10. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	686	659
Finance debtor	2,238	2,097
Other debtors	53	55
Tax	2	-
Deferred tax asset		
Other timing differences	75	-
Lifecycle provision	756	328
Prepayments and accrued income	3	2
	<u>3,813</u>	<u>3,141</u>

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

10. Debtors - continued

	2021	2020
	£'000	£'000
Amounts falling due after more than one year:		
Finance debtor	17,521	19,759
Deferred tax asset		
Other timing differences	126	337
	17,647	20,096
Aggregate amounts	21,460	23,237

11. Creditors: amounts falling due within one year

	2021	Restated 2020
	£'000	£'000
Senior loan (see note 13)	2,519	2,485
Trade creditors	112	127
Amounts owed to group undertakings	142	144
Amounts owed to related parties	2	2
Corporation tax	-	29
VAT	48	69
Accrued expenses	37	75
Other financial liabilities (see note 14)	396	-
	3,256	2,931

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

	2021	Restated 2020
	£'000	£'000
Senior loan (see note 13)	9,284	11,745
Amounts owed to group undertakings	1,097	1,189
Other financial liabilities (see note 14)	520	1,775
Unitary payment account	11,277	11,200
	22,178	25,909

The Company has entered into a swap transaction resulting in interest being charged on the senior loan at a fixed rate of 5.62% (including margin).

The amounts owed to group undertakings are unsecured.

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

13. Loans

An analysis of the maturity of loans is given below:

	2021	2020
	£'000	£'000
Amounts falling due within one year or on demand:		
Senior loan	2,519	2,485
Amounts falling due between one and two years:		
Senior loan	2,474	2,461
Amounts falling due between two and five years:		
Senior loan	6,501	7,192
Amounts falling due in more than five years:		
Repayable by instalments		
Senior loan	309	2,092

Included within amounts owed to group undertaking are amounts repayable after five years of £526,000 (2020: £689,000) respectively. This amount is payable in instalments

Terms and debt repayment schedule

The total cash repayable on the loan is as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2021	2020
					£'000	£'000
Senior loan	GBP	LIBOR plus 1.05%	2027	Quarterly	11,779	14,209
Amounts owing to group undertakings	GBP	12.5%	2029	Semi-annual	1,189	1,281

The senior loan is secured by a fixed charge over the whole of the property, assets and undertaking of the Company, assignment of all rights to any proceeds of any insurance policies and all present and future book and other charges over all assets which have not been secured by way of a fixed charge or assignment.

The full amount of loan drawdown at 31 December 2021 is £11,779,000 (2020: £14,209,000). Unamortised issue costs of £32,000 (2020: £21,000), have been deducted from the total loan drawdowns. Interest accruals of £57,000 and £50,000 (2020: £70,000 and £54,000) have been added to the total loan drawdowns and the total amounts owing to group undertakings balances respectively.

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

14. Other financial liabilities

	2021	2020
	£'000	£'000
Amounts falling due within one year		
Interest rate swap contract	396	-
Amounts falling due after more than one year		
Interest rate swap contract	520	1,775
	<u>916</u>	<u>1,775</u>

Derivative financial instruments measured at fair value

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

In 2020, the interest rate swap value was disclosed as all due after more than one year. If the disclosure had been consistent with the current year, £665,000 would have been shown as falling due within one year.

15. Provisions for liabilities

	Deferred tax	Lifecycle Provision
	£'000	£'000
Balance at 1 January 2021	(337)	(328)
Charge to Profit and Loss Account and Other Comprehensive Income during year	136	831
Utilised during year	-	(1,259)
Balance at 31 December 2021	<u>(201)</u>	<u>(756)</u>

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

15. Provisions for liabilities - continued

Lifecycle provisions represent 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.

Deferred tax

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Derivatives	(201)	(337)	-	-	(201)	(337)
Net tax assets	<u>(201)</u>	<u>(337)</u>	<u>-</u>	<u>-</u>	<u>(201)</u>	<u>(337)</u>

The net reversal of the deferred tax asset expected to occur in the next reporting period is estimated to be £75,000 (2020: £2,000) based on the anticipated recycling of cash flow hedges to profit or loss and changes in fair values of the cash flow hedging instruments.

The deferred tax asset is split between amounts following due in less than one year (£75,000) and more than one year (£126,000). More details are provided in note 10.

16. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
37,000	Ordinary £1 (2020: £1)	£1	<u>37,000</u>	<u>37,000</u>

The company paid a dividend of £8.70 per share in the year (2020: £13.03).

**Notes to the Financial Statements - continued
for the year ended 31 December 2021**

17. Reserves

	Retained earnings £'000	Other reserves £'000	Totals £'000
At 1 January 2021	111	(1,438)	(1,327)
Profit for the year	610		610
Dividends	(322)		(322)
Effective portion of changes in fair value of cash flow hedges	-	220	220
Net change in fair value of cash flow hedges recycled to profit and loss	-	640	640
Income tax on other comprehensive income	-	(136)	(136)
At 31 December 2021	<u>399</u>	<u>(714)</u>	<u>(315)</u>

Cash flow hedging reserve

The cash flow hedging reserve comprises of 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.

Retained earnings

The retained earnings consists of retained earnings and accumulated losses.

18. Ultimate parent company and parent of larger group

Consolidated Investment Holdings Limited is regarded by the directors as being the Company's ultimate controlling party and ultimate parent company.

The Company is a subsidiary undertaking of FocusEducation (Newcastle) Holdings Limited, a company incorporated in England and Wales, which itself is a subsidiary undertaking of FocusEducation Limited, another company incorporated in England and Wales.

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.