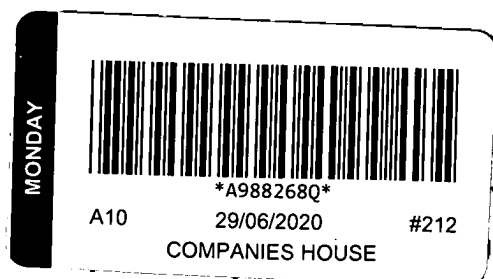


# **ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED**

Registered Number 04528790

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

### **Business review and principal activities**

The Company acts as holding company for its subsidiary whose principal activity is the finance and partial operation of the Conwy Schools PFI project under the Government's Private Finance Initiative ("PFI"). The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

The Group has entered into a Project Agreement with the Conwy County Borough Council, together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements. The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain services within the Conwy Schools PFI project for a primary term of 27 years from the date of signing of the Project Agreement 12 March 2003.

### **Key Performance Indicators (KPIs)**

The Group has modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 December 2019, the Group's performance reflects an acceptable variance to this model.

The results for the year are set out in the consolidated statement of comprehensive income on page 8.

### **Financial instruments**

The Group's exposure to interest rate risk is managed through the use of interest rate swaps, details of which are set out in note 17 of the financial statements.

### **Position of the Group at the year end**

The Group is in the operational phase of the contract and is performing to the standards of the contract.

### **Principal risks and uncertainties**

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.

#### *Brexit risk*

The Group is exposed to Brexit risk as a result of the inherent uncertainty around the UK's future relationship with the European Union after the end of the transition period. Whilst the Group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the cost of supplies. Performance risk under the Project Agreement and related contracts are passed on to the service providers. 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.

#### *COVID-19 Risk*

The Group 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 Group 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 Group 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.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

The financial risk management objectives and policies of the Group, together with an analysis of the exposure to such risks, as required under the Companies Act are set out in note 17 to the accounts.

### **Dividends**

The profit for the year, after taxation, amounted to £481,000 (2018: £521,000). The directors approved dividends of £nil (2018: £270,000) and paid dividends of £nil (2018: £415,000).

### **Going concern**

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 23.

The Group was able to meet the financial covenants as at Mar and Sept 2019, and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Group, the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for Education, 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 and directors' interests**

The directors who held office during the year were as follows:

A Mills	
S A Brooks	(resigned 4th February 2019)
H Holman	(appointed 4th February 2019)
A H Page	
J N E Cowdell	(alternate to A H Page)

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

### **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 to be prepared.

### **Political and charitable contributions**

The Group made no political or charitable contributions during the year (2018: £nil).

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019** **(continued)**

### **Disclosure of information to auditor**

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 auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418(1) of the Companies Act 2006 and should be interpreted in accordance therewith.

### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



A Mills  
Director

23<sup>rd</sup> June 2020

Unit 18, Riversway Business Village,  
Navigation Way,  
Preston,  
Lancashire,  
PR2 2YP

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED**

### **Opinion**

We have audited the financial statements of Enterprise Education Holdings Conwy Limited ("the company") for the year ended 31 December 2019 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

### **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED (CONTINUED)**

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED (CONTINUED)**

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Richard Lomax (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
3 Assembly Square  
Cardiff  
CF10 4AX

25 June 2020

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER  
 COMPREHENSIVE INCOME**  
**for the year ended 31 December 2019**

	Notes	2019 £'000	2018 £'000
Revenue	3	4,115	4,398
Cost of sales		<u>(3,518)</u>	<u>(3,767)</u>
<b>Gross profit</b>		<b>597</b>	<b>631</b>
Administrative expenses		<u>(195)</u>	<u>(172)</u>
<b>Operating profit</b>		<b>402</b>	<b>459</b>
Financial income	7	1,709	1,796
Financial expenses	8	<u>(1,517)</u>	<u>(1,612)</u>
<b>Profit before tax</b>	4	<b>594</b>	<b>643</b>
Tax expense	9	<u>(113)</u>	<u>(122)</u>
<b>Profit for the year</b>		<b><u>481</u></b>	<b><u>521</u></b>
<b>Other comprehensive income</b>			
Profit arising on cash flow hedges	17	236	887
Tax recognised in relation to change in fair value of cash flow hedges	14	<u>(39)</u>	<u>(151)</u>
		<u>197</u>	<u>736</u>
<b>Total comprehensive income for the year</b>		<b><u>678</u></b>	<b><u>1,257</u></b>
<b>Total comprehensive income attributable to:</b>			
Owners of parent		<u>678</u>	<u>1,257</u>

The notes on pages 14 to 30 form part of these financial statements.

All amounts arise from continuing operations.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2019**

	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Deferred tax assets	14	515	555
Finance receivable	17	21,569	23,307
		<u>22,084</u>	<u>23,862</u>
<b>Current assets</b>			
Finance receivable	17	1,737	1,621
Trade and other receivables	12	188	273
Cash and cash equivalents		5,738	4,974
		<u>7,663</u>	<u>6,868</u>
<b>Total assets</b>		<u>29,747</u>	<u>30,730</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	7,127	6,869
Interest bearing loans and borrowings	15	2,005	1,698
		<u>9,132</u>	<u>8,567</u>
<b>Non current liabilities</b>			
Interest bearing loans and borrowings	15	18,531	20,521
Derivative financial instruments	17	3,032	3,268
		<u>21,563</u>	<u>23,789</u>
<b>Total liabilities</b>		<u>30,695</u>	<u>32,356</u>
<b>Net liabilities</b>		<u>(948)</u>	<u>(1,626)</u>
<b>Equity</b>			
Issued share capital	19	10	10
Retained earnings		1,558	1,077
Cash flow hedging reserve		(2,516)	(2,713)
<b>Total equity attributable to the owners of the parent</b>		<u>(948)</u>	<u>(1,626)</u>

The notes on pages 14 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 23<sup>rd</sup> June 2020 and were signed on its behalf by:



A Mills  
 Director

Company registered number: 04528790

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2019**

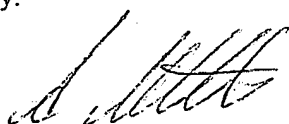
	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Investments	11	<u>10</u>	<u>10</u>
<b>Net assets</b>		<u>10</u>	<u>10</u>
<b>Equity</b>			
Issued share capital	19	<u>10</u>	<u>10</u>
<b>Total equity attributable to equity holders</b>		<u>10</u>	<u>10</u>

During the year the company made a profit of £nil (2018: £270,000).

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The notes on pages 14 to 30 form part of these financial statements.

These financial statements were approved by the Board of Directors on 23<sup>rd</sup> June 2020 and were signed on its behalf by:



A Mills  
 Director  
 Company registered number: 04528790

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	<u>Attributable to the owners of the parent</u>			
	Share capital	Retained earnings	Cash flow hedging reserve	Total equity
	£'000	£'000	£'000	£'000
<b>Balance at 31 December 2017</b>	10	826	(3,449)	(2,613)
Profit for the year	-	521	-	521
Other comprehensive income for the year, net of tax	-	-	736	736
<b>Total comprehensive income for the year</b>	-	521	736	1,257
Dividends	-	(270)	-	(270)
<b>Balance at 31 December 2018</b>	10	1,077	(2,713)	(1,626)
Profit for the year	-	481	-	481
Other comprehensive income for the year, net of tax	-	-	197	197
<b>Total comprehensive income for the year</b>	-	481	197	678
Dividends	-	-	-	-
<b>Balance at 31 December 2019</b>	10	1,558	(2,516)	(948)

The notes on pages 14 to 30 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 31 December 2017</b>	<u>10</u>	<u>-</u>	<u>10</u>
Profit for the year	<u>-</u>	<u>270</u>	<u>270</u>
Total comprehensive income for the year	-	270	270
Dividends	<u>-</u>	<u>(270)</u>	<u>(270)</u>
<b>Balance at 31 December 2018</b>	<u>10</u>	<u>-</u>	<u>10</u>
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	-	-	-
Dividends	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December 2019</b>	<u>10</u>	<u>-</u>	<u>10</u>

The notes on pages 14 to 30 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Profit before taxation	594	643	-	-
<i>Adjustments for:</i>				
Financial income	(1,709)	(1,796)	-	-
Financial expense	1,517	1,612	-	-
<b>Operating profit before changes in working capital and provisions</b>	<b>402</b>	<b>459</b>	<b>-</b>	<b>-</b>
Decrease in finance receivables	1,622	1,515	-	-
Decrease/(increase) in trade and other receivables	90	(6)	-	-
Increase/(Decrease) in trade and other payables	258	(474)	-	-
<b>Cash generated from operations</b>	<b>2,372</b>	<b>1,494</b>	<b>-</b>	<b>-</b>
Tax paid	(117)	(122)	-	-
<b>Net cash inflows from operating activities</b>	<b>2,255</b>	<b>1,372</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Interest received	1,709	1,796	-	-
Dividends received	-	-	-	415
<b>Net cash inflows from investing activities</b>	<b>1,709</b>	<b>1,796</b>	<b>-</b>	<b>415</b>
<b>Cash flows from financing activities</b>				
Interest paid	(1,503)	(1,596)	-	-
Repayment of borrowings	(1,697)	(1,590)	-	-
Dividends	-	(415)	-	(415)
<b>Net cash outflows from financing activities</b>	<b>(3,200)</b>	<b>(3,601)</b>	<b>-</b>	<b>(415)</b>
Net (decrease) / increase in cash and cash equivalents	764	(433)	-	-
Cash and cash equivalents at the beginning of the year	4,974	5,407	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>5,738</b>	<b>4,974</b>	<b>-</b>	<b>-</b>

The notes on pages 14 to 30 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

Enterprise Education Holdings Conwy Limited (the "Company") is a private Company limited by shared and incorporated, domiciled and registered in the England in the UK.

#### *Basis of preparation*

The group financial statements consolidate those of the Company and its subsidiary (together referred to as the "Group"). The parent Company financial statements present information about the Company as a separate entity and not about its group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. All amounts are rounded to the nearest £1,000.

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 in note 2.

Both the parent Company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

#### *Going concern*

The Group had net liabilities of £948,000 as at 31 December 2019 and generated a profit for the year then ended of £481,000. The net liabilities position is caused by the swap liability of £3,032,000 (2018: £3,268,000) recognised by the Group, which will unwind over the remaining project term and there are no plans to crystallise the liability early.

The Directors have prepared cash flow forecasts covering a period of 15 months from the date of approval of these financial statements through to 30 September 2021 which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Education.

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

The Group's operating cash inflows are largely dependent on unitary charge receipts receivable from Conwy County Borough Council and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

The Group continues to provide the asset in accordance with the contract and is available to be used. As a result, the Group 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 Group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Group or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Group has its own business continuity plans to ensure that service provision will continue.

The Directors believe the Group has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.



## NOTES TO THE FINANCIAL STATEMENTS (*continued*)

### 1 Accounting policies (*continued*)

The directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

#### *Standards, amendments and interpretations in issue but not yet effective*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective. This is not expected to have a significant impact on the Company's financial statements in future periods.

Effective Date	New standards or Amendments
To be confirmed	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

#### **New currently effective requirements adopted in these financial statements:**

Effective Date	New standards or Amendments
01-Jan-19	<i>Amendment to IAS 12 Income Taxes</i> – clarification in respect of tax consequences of dividends.
01-Jan-19	<i>IFRIC 23 Uncertainty over income tax treatments</i> – clarifies the accounting for uncertainties in income taxes.
01-Jan-19	<i>IFRS 16 Leases</i> – changes to the recognition and measurement of leases.

The adoption of these standards have not had a material impact on the figures in the financial statements and therefore no figures have been restated within the financial statements.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis except that the derivative financial instruments are classified as fair value through the profit or loss.

#### *Finance receivable*

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 receivable. During the operational phase income is allocated between interest receivable and the finance receivable using a project specific interest rate. The remainder of the PFI unitary charge income is included within revenue in accordance with the services contracts accounting policy below. Finance receivables and amounts recoverable on contracts are classified as loans and receivables as defined in IAS 39, which are initially recognised at fair value and then are stated at amortised cost.

Finance receivables are expected to be realised over the life of the project. As at 31 December 2019 finance receivables include £21,569,000 (2018: £23,307,000) due after more than twelve months.

#### *Services contracts*

The amount of profit attributable to the stage of completion of a service contract is recognised when the outcome of the contract can be measured reliably. Revenue for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. The stage of completion of the contract is measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract. Provision is made for any losses as soon as they are foreseen.

## NOTES TO THE FINANCIAL STATEMENTS (*continued*)

### 1 Accounting policies (*continued*)

#### *Revenue*

Revenue is recognised in accordance with the finance receivable and service contracts accounting policies above and excludes VAT.

#### *Interest income*

Interest income arises on funds invested in deposits. It is recognised in profit or loss as it accrues, using the effective interest method.

#### *Services revenue*

Services revenue (in accordance with IFRIC 12) is comprised of revenues from the provision of facilities management services to Private Finance Initiative or Public Private Partnerships ("PFI/PPP") projects.

#### *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.

#### *Derivative financial instruments and hedging*

The Group primarily uses interest rate swaps to hedge its risks associated with interest rate fluctuations. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Interest rate swaps are recognised at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

#### *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 the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes 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.

## NOTES TO THE FINANCIAL STATEMENTS (*continued*)

### 1 Accounting policies (*continued*)

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using an effective interest method.

#### *Taxation*

Corporation tax on the profit or loss for the year comprises current and deferred tax. Corporation tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future tax profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets / liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on where there is an intention to settle balances on a net basis.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Cash and cash equivalents includes £2,928,000 (2018: £2,720,000) restricted from use within the business, held in reserve accounts under the terms of the service debt agreement.

#### *Financing costs*

Financing costs comprise interest payable, and gains and losses on hedging instruments that are recognised in the income statement.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Interest payable during the construction phase of the contract is capitalised as part of the finance receivable.

#### *Dividends*

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

#### *Investments*

Investments are stated at cost less impairment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 Accounting estimates and judgements

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent 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 the revision and future periods if the revision affects both current and future periods.

Lifecycle costs are a significant proportion of future expenditure. Given the length of the Group'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 and 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, regular reviews are undertaken comparing actual expenditure and lifecycle forecast. If over the remainder of the concession lifecycle costs increase by 5% this could lead to a reduction in margin recognised of 1%.

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

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £2,517,000 (2018: £2,713,000 liability). The Directors do not consider the impact of own credit risk to be material.

The Directors consider the Company to have met the criteria for hedge accounting; the Company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which is based on forecasted results of the PFI contract.

### 3 Revenue and Segmental information

All assets, liabilities, revenue and profit before taxation originate in the United Kingdom and are relating to one operating segment, being the construction, operating and financing of a PFI contract.

	2019	2018
	£'000	£'000
Service revenue	3,968	4,245
Other revenue	147	153
	<u>4,115</u>	<u>4,398</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 3 Revenue and Segmental information *(continued)*

#### *(i) Contract balances*

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers:

	2019 £'000	2018 £'000
Receivables	11	34
Financial assets	23,306	24,928

The contract assets primarily relate to the company's rights to consideration for work completed but not billed at the reporting date on the company's PFI contract. The contract assets are transferred to receivables when the rights become unconditional.

The amount of revenue recognised in the current period from performance obligations satisfied (or partially satisfied) in previous periods was £3,838,000 (2018: £4,398,000).

Significant changes in contract assets during the period are as follows:

	2019 £'000	2018 £'000
Opening financial asset	24,928	26,443
Decreases due to cash received excluding amounts recognised as revenue during the period	(7,130)	(7,690)
Revenue recognised	3,838	4,398
Interest recognised	1,670	1,777
	<u>23,306</u>	<u>24,928</u>

#### *(ii) Transaction price allocated to the remaining performance obligations*

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020	2021	2022	2023
	£'000	£'000	£'000	£'000
Service revenue	4,374	4,033	3,145	4,592
	<u>4,374</u>	<u>4,033</u>	<u>3,145</u>	<u>4,592</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4 Profit before tax

Profit before tax is stated after charging:

	2019 £'000	2018 £'000
<b>Auditor's remuneration:</b>		
Audit of these financial statements	1	1
Amounts receivable by the company's auditor and its associates in respect of:		
- Audit of financial statements of subsidiaries of the company	15	15
- Tax compliance services	3	3

### 5 Remuneration of directors

The directors received no remuneration for their services (2018: £nil). Amounts payable to third parties for directors' services were £62,000 (2018: £48,000). See note 21 for details.

### 6 Employees

The Group had no employees during the year (2018: nil).

### 7 Financial income

	2019 £'000	2018 £'000
Finance receivable interest	1,670	1,777
Bank interest receivable	39	19
	<u>1,709</u>	<u>1,796</u>

### 8 Financial expenses

	2019 £'000	2018 £'000
Interest on bank term loans	997	1,092
Interest on subordinated debt	520	520
	<u>1,517</u>	<u>1,612</u>

## NOTES TO THE FINANCIAL STATEMENTS (*continued*)

### 9 Taxation

	2019 £'000	2018 £'000
<i>Current tax expense</i>		
Current year	113	122
<b>Total income tax expense reported in the income statement</b>	<b>113</b>	<b>122</b>

	2019 £'000	2018 £'000
<i>Reconciliation of income tax expense</i>		
Profit before taxation	593	643
UK Corporation tax thereon at 19% (2018: 19%)	113	122
Adjustment to prior year in relation to tax receivable from HMRC	-	-
Consortium relief payable	-	-
<b>Total tax in the income statement</b>	<b>113</b>	<b>122</b>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £61,000.

### 10 Dividends

	2019 £'000	2018 £'000
Interim dividend of £nil (2018: £27.00) per Ordinary Share	-	270
	-	270

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 11 Fixed asset investments

Company	Shares in group undertakings £'000
<b>Cost</b>	
1 January 2018, 31 December 2018 and 31 December 2019	10
<b>Provisions</b>	
1 January 2018, 31 December 2018 and 31 December 2019	-
<b>Cost and Carrying value</b>	
At 1 January 2018, 31 December 2018, and 31 December 2019	10

The undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Registered office address	Principal activity	Class and percentage of shares held
Enterprise Education Conwy Limited	Unit 18, Riversway Business Village, Navigation Way, Preston, Lancashire, PR2 2YP	PFI operator	£1 shares 100%



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 12 Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	11	34
Other receivables	24	94
Corporation tax receivable	42	37
Prepayments and accrued income	111	108
	<u>188</u>	<u>273</u>

No allowance for doubtful amounts has been created. An aged analysis of trade receivable has been provided in note 17. The other classes do not contain impaired assets. The Group considers that due to the nature of its business, that it is not exposed to significant credit risk.

### 13 Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	65	66
Accruals and deferred income	1,966	1,588
Other taxation	175	113
Other payables	4,921	5,102
	<u>7,127</u>	<u>6,869</u>

### 14 Deferred tax assets and liabilities

<i>Movement in deferred tax</i>	Derivative financial instruments £'000
31 December 2017	706
Recognised in other comprehensive income	<u>(151)</u>
31 December 2018	555
Recognised in other comprehensive income	<u>(40)</u>
31 December 2019	<u>515</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 15 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rates, see note 17.

	2019	2018
	£'000	£'000
<b>Non current liabilities</b>		
Bank term loan	14,591	16,581
Subordinated debt	3,940	3,940
<b>Total</b>	<b>18,531</b>	<b>20,521</b>
<b>Current liabilities</b>		
Bank term loan	2,005	1,698
<b>Total</b>	<b>2,005</b>	<b>1,698</b>

#### *Terms and debt repayment schedule*

The bank term loan is redeemable by instalments each on 31 March and 30 September which commenced on 30 September 2004 with the final repayment due on 31 January 2028. The loan is secured by a debenture fixed and floating charge over the assets of the Group. The swap fixed interest rate per annum is 4.78%.

Repayment of the subordinated debt has been deferred until the end of the project, which is expected to be 2029. The interest rate on the subordinated debt is 13.2% per annum.

### 16 Cashflows arising from financing activities

	2018	Cash flows		Non-cash changes		2019
		Principal repayment	Interest paid	Fair value changes	Interest expense	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest bearing loans and borrowings	22,219	(1,697)	(1,503)	-	1,517	20,536
Derivative financial instruments	3,268	-	-	(236)	-	3,032
Total Liabilities from financing activities	25,487	(1,697)	(1,503)	(236)	1,517	23,568

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 17 Financial instruments

The Group's principal financial instruments comprise trade and other receivables, trade and other payables, cash and cash equivalents, interest rate swaps, bank term loan and subordinated debt. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities. Board approval is required for the use of any new financial instrument, and the Group's ability to do so is restricted by covenants in its existing funding agreements.

At 31 December 2019 the Group held interest rate swaps, which related to the fixing of the interest cost on variable rate debt and are being used to reduce the exposure to interest rate risk. The Group classifies these swaps as cash flow hedges and states them at fair value. The net fair value of these swaps at 31 December 2019 was a £2,517,000 financial liability (£3,032,000 less tax of £515,000), 2018 was a £2,713,000 financial liability (£3,268,000 less tax of £555,000). These amounts were recognised in other comprehensive income in the year. There was no ineffectiveness recognised in the income statement arising from cash flow hedges.

All financial instruments are classified as loans and receivables or other financial liabilities, except for derivative financial instruments which are classified at fair value through profit or loss.

Exposure to credit and interest rate risks arises in the normal course of the Group's business.

The Group does not have any exposure to foreign currency fluctuations.

#### *Credit risk*

Although Conwy County Borough Council (the "Authority") is the only client of the Group, the directors are satisfied that the Authority will be able to fulfil its collateral obligations under the PFI contract. The carrying amount of financial assets represents the maximum credit exposure:

	2019 £'000	2018 £'000
Finance receivable	23,306	24,928
Trade receivables	11	34
Other receivables	23	94
Cash and cash equivalents	5,738	4,974
	<b>29,078</b>	<b>30,030</b>
<i>Ageing of trade receivables</i>		
	2019 £'000	2018 £'000
Due:		
Within one to three months	11	34
	<b>11</b>	<b>34</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 17 Financial instruments *(continued)*

#### *Sensitivity analysis*

At 31 December 2019, it is estimated that a general increase of one percentage point in interest rates would not significantly affect the Group's profit before tax as the Group's floating rate loans are fixed by interest rate swaps.

#### *Interest rate risk*

The Group has interest rate swaps to hedge against the fluctuations in the floating rate bank term loan. Further, the risk is also offset by turnover being subject to similar indexation terms.

The fair value of interest rate swaps have been calculated by NIBC Bank B.V. ("NIBC"). The values were determined using NIBC's pricing model and represent Level 2 in the IFRS 13 fair value hierarchy which expands on the requirements of fair value measurement by IFRS 7.

The different levels have been defined by the Company as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (future modelled movements to the finance receivable, after applying a discount rate)

#### *Fair values*

The fair values together with the carrying amounts shown in the balance sheet of all financial assets and liabilities are as follows:

	2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000
<b>Financial assets measured at amortised cost</b>					
Cash and cash equivalents	5,738	5,738	5,738	-	-
Trade receivables	11	11	11	-	-
Other receivables	23	23	23	-	-
Finance receivable	23,306	24,398	-	-	24,398
<b>Financial liabilities measured at amortised cost</b>					
Trade payables	(65)	(65)	(65)	-	-
Bank term loan	(16,595)	(16,164)	-	(16,164)	-
Subordinated debt	(3,940)	(5,400)	-	(5,400)	-
<b>Financial liabilities designated as Fair Value Through Profit &amp; Loss</b>					
Derivative financial instruments	(3,032)	(3,032)	-	(3,032)	-
	<b>5,446</b>	<b>5,509</b>	<b>5,707</b>	<b>(24,596)</b>	<b>24,398</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 17 Financial instruments *(continued)*

	2018				
	Carrying	Fair value	Level 1	Level 2	Level 3
	amount				
	£'000	£'000	£'000	£'000	£'000
<b>Financial assets measured at amortised cost</b>					
Cash and cash equivalents	4,974	4,974	4,974	-	-
Trade receivables	34	34	34	-	-
Other receivables	94	94	94	-	-
Finance receivable	24,928	26,219	-	-	26,219
<b>Financial liabilities measured at amortised cost</b>					
Trade payables	(66)	(66)	(66)	-	-
Bank term loan	(18,279)	(17,736)	-	(17,736)	-
Subordinated debt	(3,940)	(5,489)	-	(5,489)	-
<b>Financial liabilities designated as Fair Value Through Profit &amp; Loss</b>					
Derivative financial instruments	(3,268)	(3,268)	-	(3,268)	-
	4,477	4,762	5,036	(26,493)	26,219

#### *Estimation of fair values*

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value. All other payables and receivables are discounted to determine the fair value.

Fair value of finance receivables, bank term loans and subordinated debt is calculated by discounting future cash flows at an appropriate discount rate. The discount rate used is calculated by adding an appropriate premium to the relevant gilt yield for the project. The gilt yield reflects the unexpired term of the project agreement and the estimated premium reflects the market spread that would be required by investors of the PFI project companies with similar risk profiles. The discount rates that have been applied to the finance receivables are 5.75% (2018: 5.75%), bank term loans is 6.75% (2018: 6.75%) and subordinated debt is 8.75% (2018: 8.75%).

#### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as these fall due. The Group's financial obligations, including the repayment of its borrowings which are provided on a long term basis, have been structured to be met from the income which, under normal operating conditions, will be earned from its long term concession contract with the Authority.

In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their contractual future cash flows as at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 17 Financial instruments *(continued)*

#### *Liquidity risk (continued)*

2019	Total £'000	One year or less £'000	1-2 years £'000	2-5 years £'000
<b>Financial assets measured at amortised cost</b>				
Finance receivable	23,306	1,737	1,861	6,415
Cash and cash equivalents	5,738	5,738	-	-
Trade receivables	11	11	-	-
Other receivables	23	23	-	-
<b>Financial liabilities measured at amortised cost</b>				
Bank term loan	(16,595)	(2,005)	(2,091)	(4,532)
Subordinated debt	(3,940)	-	-	-
Trade payables	(65)	(65)	-	-
<b>Other</b>				
Derivative financial instruments	(3,032)	-	-	-
	<u>5,446</u>	<u>5,439</u>	<u>(230)</u>	<u>1,883</u>
 2018				
	Total £'000	One year or less £'000	1-2 years £'000	2-5 years £'000
<b>Financial assets measured at amortised cost</b>				
Finance receivable	24,928	1,621	1,737	5,623
Cash and cash equivalents	4,974	4,974	-	-
Trade receivables	33	33	-	-
Other receivables	94	94	-	-
<b>Financial liabilities measured at amortised cost</b>				
Bank term loan	(18,278)	(1,698)	(2,005)	(5,527)
Subordinated debt	(3,940)	-	-	-
Trade payables	(66)	(66)	-	-
<b>Other</b>				
Derivative financial instruments	(3,268)	-	-	-
	<u>4,477</u>	<u>4,959</u>	<u>(268)</u>	<u>96</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 18 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital management strategy remains unchanged from 2018.

The capital structure of the Company consists of borrowings as detailed in note 15 and equity.

To maintain or adjust the capital structure of the Company, the Company may adjust the dividend payment to shareholders or issue new shares if deemed necessary.

### 19 Share capital

	2019	2018
	£	£
<i>Allotted, called up and fully paid:</i>		
10,000 ordinary shares of £1 each	10,000	10,000

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.

### Cash flow hedging reserve

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

### Retained Earnings

Retained earnings comprise of the cumulative profit of the Group.

### 20 Contingencies and commitments

#### *Contingencies*

The Group did not have any contingencies as at 31 December 2019 (2018: £nil).

#### *Capital commitments*

The Group had no capital commitments as at 31 December 2019 (2018: £nil).

### 21 Related party disclosures

The Group is controlled by Infrastructure Investments LP (acting by its general partner, Infrastructure Investments General Partner Limited) which has a 90% interest. The remaining interest is held by Sodexo Investment Services Limited (10%).

Infrastructure Investments LP and Sodexo groups of companies have interests in certain contracts placed by the Group, for the financing, construction and provision of certain services in relation to the operation of its 27 year Private Finance Initiative contract for Conwy County Borough Council.

Infrastructure Investments LP and Sodexo are also parties to an Equity Subscription and Subordinated Debt agreements for the Company.

Anne's Gate Property plc, Infrastructure Investments and Yorker Holdings PKR Limited are related to the Company by common ownership.

During the year, the Group incurred costs charged by these related parties as follows:

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 21 Related party disclosures *(continued)*

	Transactions		Balance owed to at year end	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Management Services</b>				
- Sodexo Limited	2,867	2,635	951	918
<b>Directors' fees</b>				
- Sodexo Investment Services Limited	31	24	31	24
- Infrastructure Investments LP	31	24	31	24
<b>Subordinated debt - Interest</b>				
- Sodexo Investment Services Limited	52	52	65	13
- Infrastructure Investments LP	468	468	586	118
<b>Subordinated debt - Principal</b>				
- Sodexo Investment Services Limited	-	-	394	394
- Infrastructure Investments LP	-	-	3,546	3,546
<b>Consortium relief</b>				
- Anne's Gate Property plc	-	-	6	6
- Infrastructure Investments	-	-	-	94
- Yorker Holdings PKR Limited	-	-	14	14
	<b>3,449</b>	<b>3,203</b>	<b>5,624</b>	<b>5,151</b>

### 22 Ultimate parent company and parent undertaking of larger group of which the Company is a member

Infrastructure Investments General Partner Limited, acting as general partner for and on behalf of Infrastructure Investments LP is the majority shareholder of the Company. The registered addresses for both of these companies is The registered address for both is 12 Charles II Street, London, SW1Y 4QU.

The ultimate parent of the group was HICL Infrastructure Company Limited incorporated in Guernsey. The registered address of the Company is East Wing, Trafalgar Court, Les Banques, St Peter Port, GY1 3PP Guernsey.

On 1 April 2019, HICL Infrastructure Company Limited transferred all of its assets to HICL Infrastructure Plc. As a result, the ultimate beneficial owner of the company changed from HICL Infrastructure Company Limited to HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at 12 Charles II Street, London, SW1Y 4QU.

These are the only group accounts which include the results of the Company.

### 23 Post Balance Sheet Events disclosure

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Group has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project was partially closed in March 2020 but is fully available for use by the client under the terms of the contract and as a result continues to be entitled to the receipt of the Unitary Payment.