COMPANY REGISTRATION NUMBER: 04798203

Ashburton Services Limited

Annual Report and Financial Statements

31 March 2022

Ashburton Services Limited

Annual Report and Financial Statements

Year Ended 31 March 2022

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Ashburton Services Limited

Officers and Professional Advisers

The Board of Directors	John George David Davies
Company Secretary	Infrastructure Managers Limited
Registered Office	Cannon Place 78 Cannon Street London EC4N 6AF
Independent Auditors	Johnston Carmichael LLP Chartered Accountants & Statutory Auditors 7-11 Melville Street Edinburgh EH3 7PE
Bankers	Nationwide Building Society Kings Park Road Moulton Park Northampton Northants NN3 6NW

Ashburton Services Limited

Directors' Report

Year Ended 31 March 2022

The directors present their report and the audited Annual Report and Financial Statements of Ashburton Services Limited ("the Company") for the year ended 31 March 2022.

Principal Activities

The Company's principal activity is the construction and refurbishment of schools and the provision of related facilities management services on a 30 year contract under the Private Finance Initiative. As the Company is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. During the year the Company was fully compliant with the contractual terms. From a financial perspective the Company has been performing well and has been compliant with the covenants laid out in the loan agreement. The Company is also forecasting compliance with the covenants laid out in the loan agreement.

Performance Review

The loss for the financial year, after taxation, amounted to £72,407 (2021: £99,910).

The loss for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Key Performance Indicators

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the Group loan agreement. The historic and projected debt service cover ratios at 31 March 2022 are as follows: 1.148 and 1.102.

Going Concern

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company 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 3b.

The Company was able to meet the financial covenants as at 31 March 2022 and 31 March 2021, and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Company, 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

The directors who served the Company during the year and up to the date of this report were as follows:

John George
David Davies

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year.

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk, interest rate risk and lifecycle risk.

Future Developments

The Company will continue to provide and support the Authority in its operation of the school under the PFI scheme.

Financial Instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company is credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of fixed rate loans.

Cash Flow and Liquidity risk

Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

COVID-19 risk

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. 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.

Climate change risk

The Company has considered whether it is exposed to additional risks as a result of climate change and has not identified any risks that would significantly impact the Company. This is primarily due to nature of the operations of the project, where the majority of work is performed by sub-contractors who are responsible for the associated risks. Whilst, the Company is subject to SPV costs through the provision and maintenance of facilities including, for instance, heating systems, the Company's contractual protections are expected to protect the company from changes in law that result in any longer term pricing risk associated with climate change.

Lifecycle risk

The Company's lifecycle risk is held by the SPV. In order to ensure costs are recorded in the year in which they are incurred, routine monitoring is carried out on lifecycle costs. This compares actual spend to a pre-approved plan.

Small Company Provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

The independent auditors, Johnston Carmichael LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 29th September 2022 and signed by order of the board by:

J Cornell

Infrastructure Managers Limited
Company Secretary

Directors' Responsibilities Statement

Year Ended 31 March 2022

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

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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. They 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.

Independent Auditor's Report to the Members of Ashburton Services Limited

Opinion

We have audited the financial statements of Ashburton Services Limited (the 'Company') for the year ended 31 March 2022 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the 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 FRS 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 March 2022, and of its loss for the year then ended;
- Have been properly prepared in accordance with UK adopted international accounting standards; 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.

Independent Auditor's Report to the Members of Ashburton Services Limited
(continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 our 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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 from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 5, 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent the audit was 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 and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- UK Accounting Standards, including FRS 102; and
- UK corporation taxes 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 any relevant correspondence with regulatory bodies 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.

Ashburton Services Limited

Independent Auditor's Report to the Members of Ashburton Services Limited
(continued)

In addition to the above, 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 for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the Company's procurement of legal and professional services;
- 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; and
- Agreement of the financial statement disclosures to supporting documentation.

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 would become aware of it.

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

Irvine Spowart (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory auditor

7-11 Melville Street
Edinburgh
EH3 7PE

29th September 2022

Ashburton Services Limited

Statement of Comprehensive Income

Year Ended 31 March 2022

	Note	2022 £	2021 £
Turnover	**4**	**1,419,504**	1,399,598
Cost of sales		**(972,179)**	(1,064,556)
Gross profit		**447,325**	335,042
Administrative expenses		**(270,894)**	(192,206)
Operating profit	**5**	**176,431**	142,836
Interest receivable and similar income	**7**	**670,232**	712,342
Interest payable and similar expenses	**8**	**(919,385)**	(954,210)
Loss before taxation		**(72,722)**	(99,032)
Tax on loss	**9**	**315**	(878)
Loss for the financial year and total comprehensive expense		**(72,407)**	(99,910)

All the activities of the Company are from continuing operations.

The notes on pages 13 to 22 form part of these Financial Statements.

Ashburton Services Limited

Statement of Financial Position

As at 31 March 2022

	Note	2022 £	2021 £
Current assets			
Debtors: amounts falling due within one year	10	**881,410**	628,245
Debtors: amounts falling due after more than one year	10	**13,234,567**	14,272,942
Cash at bank and in hand		**1,599,014**	1,330,389
		15,714,991	16,231,576
Creditors: amounts falling due within one year	11	**(3,006,397)**	(2,908,458)
Net current assets		**12,708,594**	13,323,118
Total assets less current liabilities		**12,708,594**	13,323,118
Creditors: amounts falling due after more than one year	12	**(12,563,449)**	(13,105,566)
Net assets		**145,145**	217,552
Capital and reserves			
Called up share capital	15	**1,241,550**	1,241,550
Retained earnings	16	**(1,096,405)**	(1,023,998)
Total shareholders' funds		**145,145**	217,552

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The Financial Statements were approved by the board of directors and authorised for issue on 29th September 2022, and are signed on behalf of the board by:

JP George

J George (Sep 29, 2022 12:09 GMT+1)

John George
Director

Company registration number: 04798203

The notes on pages 13 to 22 form part of these Financial Statements.

Ashburton Services Limited

Statement of Changes in Equity

Year Ended 31 March 2022

	Called up share capital £	Retained earnings £	**Total £**
At 1 April 2020	1,241,550	(924,088)	317,462
Loss for the financial year		(99,910)	(99,910)
Total comprehensive expense for the year	–	(99,910)	(99,910)
At 31 March 2021	1,241,550	(1,023,998)	**217,552**
Loss for the financial year		(72,407)	**(72,407)**
Total comprehensive expense for the year	–	(72,407)	**(72,407)**
At 31 March 2022	1,241,550	(1,096,405)	**145,145**

The notes on pages 13 to 22 form part of these Financial Statements.

1. General Information

Ashburton Services Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The Company's principal activity is the construction and refurbishment of schools and the provision of related facilities management services on a 30 year contract under the Private Finance Initiative.

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

2. Statement of Compliance

The individual financial statements of Ashburton Services Limited have been prepared in compliance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

3. Accounting Policies *(continued)*

(b) Going concern

The Company had net assets of £145,145 as at 31 March 2022 and generated a loss for the year then ended of £72,407. The loss for the year arises as a result of the revenue generating activities at this stage of the contract not covering the costs incurred by the Company. The financial model shows the project to be profitable over the entire life of the contract.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of COVID-19, the Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings.

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Company would lead to service failure points being awarded against the Company in accordance with the terms of the Company's contract with Croydon Council sufficient to cause an event of default under the terms of the terms of the Company's external borrowings. To date, taking into account the effect of COVID-19 there has been no material adverse impact on the Company's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Company will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that 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.

(c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

3. Accounting Policies *(continued)*

i) Accounting for service concession arrangements

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of of expenditure could have material impacts. As a result, there is 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, comparisons of actual expenditure are compared to the lifecycle forecast. If lifecycle costs were to increase or or decrease by 1%, this would not result in a material decrease or increase on profit in the current year.

(d) Service concession arrangements

The Agreement is for a term of 30 years and was entered into with Croydon Council (the "Authority") to construct and refurbish schools and provide related facilities management services. At 31 March 2022 it is in year 16 of the project term.

Operation and maintenance of the facilities are outsourced to a third party (the "Sub-contractor") under contractual arrangements that provide certainty over the level of costs to be incurred by the Company. However, the maintenance risk ultimately lies with the Company. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the Company, further information is shown in note 3c. The sub-contractor for the Company is Vinci Construction UK Limited. The base fee per the sub-contractor contract is fixed and allows for an inflationary increase each year.

The unitary charge per the agreement with the Authority is a fixed base fee and allows for an inflationary increase each year.

Under the Agreement, when the actual insurance premiums paid fall under certain thresholds compared to the cost assumptions used during financial close, a saving is realised. The Authority is entitled to a share of those savings, as required under SOPC 4 requirements.

The Authority is also entitled under the Agreement to voluntarily terminate the contract by providing a six months' written notice to the Company. On termination, the Company is entitled to a termination compensation as defined within the Agreement.

3. Accounting Policies *(continued)*

(e) Finance debtor and service income

The Company is an operator of a PFI contract. 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 underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Revenue from the rendering of services is recognised as a margin on non-passthrough operating and maintenance costs.

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

(f) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

3. Accounting Policies *(continued)*

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(h) Restricted cash

Cash at bank includes £1,222,589 (2021: £935,329) restricted from use in the business, held in the Company's reserve accounts under the terms of the credit agreement.

(i) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(j) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. Turnover

Turnover arises from:

	2022	2021
	£	£
Rendering of services	**1,419,504**	1,399,598

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2022	2021
	£	£
Fees payable for the audit of the annual report and financial statements	**13,000**	13,345

Auditors remuneration is payable to Johnston Carmichael LLP (2021: KPMG LLP).

6. Particulars of Employees and Directors

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2021: nil). The directors did not receive any remuneration from the Company during the year (2021: £nil). During the year the company paid £54,438 (2021: £53,269) to Infrastructure Investments Holdings Limited, a related entity, for the provision of two directors.

7. Interest Receivable and Similar Income

	2022	2021
	£	£
Interest on cash and cash equivalents	**1,053**	994
Interest received on finance debtor	**669,133**	711,348
Other interest receivable	**46**	–
	670,232	712,342

8. Interest Payable and Similar Expenses

	2022	2021
	£	£
Interest on bank loans and overdrafts	**724,656**	759,481
Interest due to Group undertakings	**194,729**	194,729
	919,385	954,210

9. Tax on Loss

Major components of tax (income)/expense

	2022	2021
	£	£
Deferred tax:		
Origination and reversal of timing differences	**(315)**	878
Tax on loss	**(315)**	878

Reconciliation of tax (income)/expense

The tax assessed on the loss for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	£	£
Loss before taxation	**(72,722)**	(99,032)
Loss before taxation by rate of tax	**(13,817)**	(18,816)
Deferred tax not recognised	**13,502**	19,693
Total tax (credit)/charge	**(315)**	877

Factors that may affect future tax income

During the year, as a result of the increase in the UK main corporation tax rate from 19% to 25% that was enacted in May 2021 to take effect from 1 April 2023, the relevant deferred tax balances have been remeasured at 25%. This change has increased the deferred tax asset at the balance sheet date by £1,034.

10. Debtors

Debtors amounts falling due within one year are as follows:

	2022	2021
	£	£
Trade debtors	**339,400**	341,072
Deferred tax asset	**4,310**	3,994
Prepayments and accrued income	**7,678**	6,123
Corporation tax repayable	**–**	7,296
Finance debtor	**530,022**	269,760
	881,410	628,245

Debtors amounts falling due after more than one year are as follows:

	2022	2021
	£	£
Finance debtor	**13,234,567**	14,272,942

11. Creditors: amounts falling due within one year

	2022	2021
	£	£
Bank loans and overdrafts	**606,938**	564,902
Trade creditors	**74,287**	27,063
Amounts owed to Group undertakings	**562,864**	539,885
Accruals and deferred income	**1,679,092**	1,668,882
Taxation and social security	**83,216**	107,726
	3,006,397	2,908,458

The amounts owed to Group undertakings consists of accrued interest of £562,864 (2021: £539,885), *the balance is unsecured, non interest bearing and repayable on demand.*

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

	2022	2021
	£	£
Bank loans and overdrafts	**10,172,075**	10,775,432
Amounts owed to Group undertakings	**1,574,200**	1,574,200
Accruals and deferred income	**817,174**	755,934
	12,563,449	13,105,566

Included within creditors: amounts falling due after more than one year is an amount of £8,820,862 (2021: £9,646,820) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

12. Creditors: amounts falling due after more than one year *(continued)*

Amounts owed to Group undertakings relates to subordinated debt due to the immediate parent company Ashburton Services (Holdings) Limited. The loan bears a Coupon of 12.37 per cent per annum and repayment of capital should have commenced on 30 September 2006. However, the shareholders agreed for the capital element to be repaid at the end of the project, in 2034 and 2035. The Coupon on the principal amount accrues daily and is payable quarterly on 31 March, 30 June, 30 September and 31 December each year. The investment sum was advanced under a subordinated loan agreement and is therefore unsecured, and would rank alongside ordinary creditors in the case of a winding up.

The bank loan is secured by a floating charge over all the assets, rights and undertakings of the Company.

The Company has a bank loan of £10,823,040 (2021: £11,392,624). Issue costs of £44,026 (2021: £52,290) have been set off against the total loan drawdown (see also note 11). This loan was drawn down under a non-recourse financing agreement and is repayable over 28 years following financial close in quarterly instalments expiring on 30 June 2034. The interest rate on this loan is fixed at 5.47%.

13. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

	2022	2021
	£	£
Included in debtors (note 10)	**4,310**	3,994

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022	2021
	£	£
Accelerated capital allowances	**(4,310)**	(3,994)

The net deferred tax asset expected to reverse in 2023 is £719. This relates to the reversal of timing differences on capital allowances.

	2022
	£
Opening balance	(3,994)
Movement through the profit or loss	(316)
Closing balance	**(4,310)**

Deferred tax of £313,452 (2021: £293,760) in relation to unused losses has not been recognised in the financial statements.

14. Financial Instruments

The carrying amount for each category of financial instrument is as follows:

	2022	2021
	£	£
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	**14,103,989**	14,883,774
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	**(12,960,104)**	(13,506,708)

15. Called Up Share Capital

Issued, called up and fully paid

	2022		2021	
	No.	**£**	No.	£
Ordinary shares of £1 each	**1,241,550**	**1,241,550**	1,241,550	1,241,550

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16. Reserves

Retained earnings records retained earnings and accumulated losses.

17. Related Party Transactions

The Company is wholly owned by Ashburton Services (Holdings) Limited and has taken advantage of 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.

Details of balances outstanding with wholly owned members of the Company at the year end can be found in notes 11 and 12. Details of fees payable to the shareholders for the provision of directors' services during the year can be found in note 6.

18. Controlling Party

The immediate parent undertaking is Ashburton Services (Holdings) Limited, which is also the smallest and largest group in which the Company's results are consolidated. The accounts of Ashburton Services (Holdings) Limited registered at Cannon Place, 78 Cannon Street, London, EC4N 6AF can be obtained from the Registrar of Companies.

The ultimate parent undertaking is HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at One Bartholomew Close, Barts Square, London, EC1A 7BL.