

COMPANY REGISTRATION NUMBER: 4798203

**Ashburton Services Limited**  
**Annual Report and Financial Statements**  
**31 March 2021**



# **Ashburton Services Limited**

## **Annual Report and Financial Statements**

**Year Ended 31 March 2021**

<b>Contents</b>	<b>Page</b>
Officers and Professional Advisers	<b>1</b>
Directors' Report	<b>2</b>
Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements	<b>5</b>
Independent Auditor's Report to the Members of Ashburton Services Limited	<b>6</b>
Statement of Comprehensive Income	<b>11</b>
Statement of Financial Position	<b>12</b>
Statement of Changes in Equity	<b>13</b>
Statement of Cash Flows	<b>14</b>
Notes to the Annual Report and Financial Statements	<b>15</b>

# **Ashburton Services Limited**

## **Officers and Professional Advisers**

### **The Board of Directors**

John George  
Hannah Holman (Resigned 4 February 2021)  
David Davies (Appointed 4 February 2021)

### **Company Secretary**

Infrastructure Managers Limited

### **Registered Office**

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

### **Independent Auditors**

KPMG LLP  
Chartered Accountants & Statutory Auditors  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

### **Bankers**

Nationwide Building Society  
Kings Park Road  
Moulton Park  
Northampton  
Northants  
NN3 6NW

# **Ashburton Services Limited**

## **Directors' Report**

### **Year Ended 31 March 2021**

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 2021.

#### **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 £99,910 (2020: £67,338).

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.

#### **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 2021 and 31 March 2020, 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	(Appointed 4 February 2021)
Hannah Holman	(Resigned 4 February 2021)

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

# Ashburton Services Limited

## Directors' Report *(continued)*

### Year Ended 31 March 2021

#### Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

#### 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.

##### *Brexit risk*

The Company is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from the European Union. 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 cost of supplies. 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.

##### *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.

# Ashburton Services Limited

## Directors' Report *(continued)*

### Year Ended 31 March 2021

#### 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.

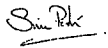
#### Disclosure of Information to Auditors

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 auditors, KPMG 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 1<sup>st</sup> October 2021 and signed by order of the board by:



Infrastructure Managers Limited  
Company Secretary

# **Ashburton Services Limited**

## **Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements**

### **Year Ended 31 March 2021**

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 financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the 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 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 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 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 Company and to prevent and detect fraud and other irregularities.

# **Ashburton Services Limited**

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

**Year Ended 31 March 2021**

### **Opinion**

We have audited the financial statements of Ashburton Services Limited (the 'Company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company 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 Company or to cease its operations, and as they have concluded that 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 its 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.



# Ashburton Services Limited

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

### Year Ended 31 March 2021

#### Fraud and Breaches of Laws and Regulations - Ability to Detect

##### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent turnover recognition, in particular the risk of bias in the accounting estimate for service concession contract turnover, the risk that profit is inappropriately recognised on costs unrelated to the service concession contract and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Recalculating service revenue based upon unitary charge income received into cash, movements in the Finance Debtor, and the related deferred income balances and compared this to the amounts recorded.
- Assessing the reasonableness of the cost forecasts (used to calculate service revenue) by considering the historical accuracy of the previous forecasts as well as changes to forecast cost estimates relating to future years and evaluating the appropriateness of cost estimates and assessing whether or not estimates showed any evidence of management bias based on our knowledge of the Group and experience of the industry in which it operates.

##### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and

# Ashburton Services Limited

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

### Year Ended 31 March 2021

regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **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.

# **Ashburton Services Limited**

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

### **Year Ended 31 March 2021**

#### **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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' 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 5, 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 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 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 audit 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).

## **Ashburton Services Limited**

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

**Year Ended 31 March 2021**

#### **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  
Britannia Quay  
Cardiff  
CF10 4AX

1 October 2021

# Ashburton Services Limited

## Statement of Comprehensive Income

Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	1,399,598	1,211,583
Cost of sales		<u>(1,064,556)</u>	<u>(855,317)</u>
Gross profit		335,042	356,266
Administrative expenses		<u>(192,206)</u>	<u>(196,501)</u>
Operating profit	5	142,836	159,765
Interest receivable and similar income	7	712,342	755,818
Interest payable and similar expenses	8	<u>(954,210)</u>	<u>(990,894)</u>
Loss before taxation		(99,032)	(75,311)
Tax on loss	9	<u>(878)</u>	<u>7,973</u>
Loss for the financial year and total comprehensive expense		<u>(99,910)</u>	<u>(67,338)</u>

All the activities of the Company are from continuing operations.

The notes on pages 15 to 25 form part of these Financial Statements.


# Ashburton Services Limited

## Statement of Financial Position

As at 31 March 2021

	Note	2021 £	2020 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	628,245	445,810
Debtors: amounts falling due after more than one year	10	14,272,942	15,268,096
Cash at bank and in hand		1,330,389	1,246,186
		<u>16,231,576</u>	<u>16,960,092</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,908,458)</u>	<u>(3,199,836)</u>
<b>Net current assets</b>		<u>13,323,118</u>	<u>13,760,256</u>
<b>Total assets less current liabilities</b>		<u>13,323,118</u>	<u>13,760,256</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(13,105,566)</u>	<u>(13,442,794)</u>
<b>Net assets</b>		<u>217,552</u>	<u>317,462</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,241,550	1,241,550
Retained earnings	16	(1,023,998)	(924,088)
<b>Total shareholders' funds</b>		<u>217,552</u>	<u>317,462</u>

The Financial Statements were approved by the board of directors and authorised for issue on 1<sup>st</sup> October 2021, and are signed on behalf of the board by:



John George  
Director

Company registration number: 4798203

The notes on pages 15 to 25 form part of these Financial Statements.

# Ashburton Services Limited

## Statement of Changes in Equity

Year Ended 31 March 2021

	Called up share capital £	Retained earnings £	Total £
At 1 April 2019	1,241,550	(856,750)	384,800
Loss for the financial year		(67,338)	(67,338)
Total comprehensive expense for the year	—	(67,338)	(67,338)
At 31 March 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	<u>1,241,550</u>	<u>(1,023,998)</u>	<u>217,552</u>

The notes on pages 15 to 25 form part of these Financial Statements.

# Ashburton Services Limited

## Statement of Cash Flows

Year Ended 31 March 2021

	Note	2021 £	2020 £
Cash generated from operations	17	845,544	1,000,722
Tax (paid)/received		(4,152)	61,854
Net cash from operating activities		<u>841,392</u>	<u>1,062,576</u>
<b>Cash flows from investing activities</b>			
Interest received		712,342	755,818
Net cash from investing activities		<u>712,342</u>	<u>755,818</u>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(530,979)	(486,527)
Interest paid		(938,552)	(1,372,900)
Net cash used in financing activities		<u>(1,469,531)</u>	<u>(1,859,427)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>84,203</b>	<b>(41,033)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,246,186</b>	<b>1,287,219</b>
<b>Cash and cash equivalents at end of year</b>		<b><u>1,330,389</u></b>	<b><u>1,246,186</u></b>

The notes on pages 15 to 25 form part of these Annual Report and Financial Statements.



# **Ashburton Services Limited**

## **Notes to the Annual Report and Financial Statements**

### **Year Ended 31 March 2021**

#### **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.

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 3. Accounting Policies *(continued)*

##### (b) Going concern

The Company had net assets of £217,552 as at 31 March 2021 and generated a loss for the year then ended of £99,910. 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) Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

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

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

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 3. Accounting Policies *(continued)*

##### (d) 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:

##### 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 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 decrease by 1%, this would not result in a material decrease or increase on profit in the current year.

##### (e) 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 2021 it is in year 15 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.

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 3. Accounting Policies *(continued)*

##### (f) 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.

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

##### (g) 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.

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 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.

##### **(h) 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.

##### **(i) Restricted cash**

Cash at bank includes £935,329 (2020: £917,448) restricted from use in the business, held in the Company's reserve accounts under the terms of the credit agreement.

##### **(j) 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.

##### **(k) 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.

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 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:

	2021	2020
	£	£
Rendering of services	<u>1,399,598</u>	<u>1,211,583</u>

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:

	2021	2020
	£	£
Fees payable for the audit of the annual report and financial statements	<u>13,345</u>	<u>12,340</u>

#### 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 (2020: nil). The directors did not receive any remuneration from the Company during the year (2020: £nil). During the year the company paid £53,269 (2020: £52,020) to Infrastructure Investments Holdings Limited, a related entity, for the provision of two directors.

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 7. Interest Receivable and Similar Income

	2021	2020
	£	£
Interest on cash and cash equivalents	994	1,245
Interest received on finance debtor	711,348	753,277
Other interest receivable	—	1,296
	<u>712,342</u>	<u>755,818</u>

#### 8. Interest Payable and Similar Expenses

	2021	2020
	£	£
Interest on bank loans and overdrafts	759,481	795,632
Interest due to Group undertakings	194,729	195,262
	<u>954,210</u>	<u>990,894</u>

#### 9. Tax on Loss

##### Major components of tax expense/(income)

	2021	2020
	£	£
<b>Current tax:</b>		
UK current tax income	—	(10,889)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	878	2,916
<b>Tax on loss</b>	<u>878</u>	<u>(7,973)</u>

##### Reconciliation of tax expense/(income)

The tax assessed on the loss for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021	2020
	£	£
Loss before taxation	(99,032)	(75,311)
Loss before taxation by rate of tax	(18,816)	(14,309)
Deferred tax not recognised	19,694	6,336
<b>Total tax charge/(credit)</b>	<u>878</u>	<u>(7,973)</u>

##### Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2021 Budget. The rate will increase from 19% to 25% with effect from 1 April 2023. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 March 2021, would be to increase the deferred tax asset by £1,261.

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 10. Debtors

Debtors amounts falling due within one year are as follows:

	2021	2020
	£	£
Trade debtors	341,072	272,600
Deferred tax asset	3,993	4,871
Prepayments and accrued income	6,123	16,307
Corporation tax repayable	7,297	3,144
Finance debtor	269,760	148,888
	<u>628,245</u>	<u>445,810</u>

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

	2021	2020
	£	£
Finance debtor	<u>14,272,942</u>	<u>15,268,096</u>

#### 11. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	564,902	521,620
Trade creditors	27,063	56,633
Amounts owed to Group undertakings	539,885	536,671
Accruals and deferred income	1,668,882	1,999,998
Taxation and social security	107,726	84,914
	<u>2,908,458</u>	<u>3,199,836</u>

The amounts owed to Group undertakings consists of accrued interest of £539,885 (2020: £536,671), the balance is unsecured, non interest bearing and repayable on demand.

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

	2021	2020
	£	£
Bank loans and overdrafts	10,775,432	11,337,250
Amounts owed to Group undertakings	1,574,200	1,574,200
Accruals and deferred income	755,934	531,344
	<u>13,105,566</u>	<u>13,442,794</u>

Included within creditors: amounts falling due after more than one year is an amount of £9,646,820 (2020: £10,394,465) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.



# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 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. 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 £11,392,624 (2020: £11,923,603). Issue costs of £52,290 (2020: £64,733) 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:

	2021	2020
	£	£
Included in debtors (note 10)	<u>3,993</u>	<u>4,871</u>

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

	2021	2020
	£	£
Accelerated capital allowances	<u>(3,993)</u>	<u>(4,871)</u>

The net deferred tax asset expected to reverse in 2022 is £719. This relates to the reversal of timing differences on capital allowances.

	2021
	£
Opening balance	(4,871)
Movement through the profit or loss	878
Closing balance	<u>(3,993)</u>

Deferred tax of £293,760 (2020: £278,381) in relation to unused losses has not been recognised in the financial statements.

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 14. Financial Instruments

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

	2021 £	2020 £
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	<u>14,883,774</u>	<u>15,689,584</u>
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	<u>(13,506,708)</u>	<u>(13,969,741)</u>

#### 15. Called Up Share Capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,241,550</u>	<u>1,241,550</u>	<u>1,241,550</u>	<u>1,241,550</u>

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. Cash Generated from Operations

	2021 £	2020 £
Loss for the financial year	(99,910)	(67,338)
<i>Adjustments for:</i>		
Interest receivable and similar income	(712,342)	(755,818)
Interest payable and similar expenses	954,210	990,894
Tax on loss	878	(7,973)
<i>Changes in:</i>		
Trade and other debtors	816,993	890,975
Trade and other creditors	<u>(114,285)</u>	<u>(50,018)</u>
	<u>845,544</u>	<u>1,000,722</u>

# Ashburton Services Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2021

#### 18. Analysis of Changes in Net Debt

	At 1 Apr 2020	Cash flows	Non-cash movements	At 31 Mar 2021
	£	£	£	£
Cash at bank and in hand	1,246,186	84,203	—	1,330,389
Debt due within one year	(1,058,291)	938,552	(985,048)	(1,104,787)
Debt due after one year	(12,911,450)	530,979	30,839	(12,349,632)
	<u>(12,723,555)</u>	<u>1,553,734</u>	<u>(954,209)</u>	<u>(12,124,030)</u>

#### 19. 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.

#### 20. 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.