REGISTERED NUMBER: 4921422

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED
31ST DECEMBER 2020

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

COMPANY INFORMATION

DIRECTORS	H Holman A Thorne
SECRETARY	I Hudson
REGISTERED OFFICE	Astral House Imperial Way Watford Hertfordshire WD24 4WW
REGISTERED NUMBER	4921422
AUDITOR	KPMG LLP 66 Queen Square Bristol BS1 4BE
BANKERS	Barclays Bank PLC One Churchill Place London E14 5HP

The Directors submit their report to the members, together with the audited consolidated financial statements for the year ended 31st December 2020.

Principal activity and review of the business

The Group's principal activity is to design, build, finance, operate and manage a primary school in Newport. On 18th March 2008, Newport School Solutions Limited entered into a long term contract under a Private Finance Initiative (PFI) with Newport City Council to design, build, finance, operate and manage a 650 pupil combined nursery, infant and junior school on the outskirts of Newport, South Wales. The school was being built on council owned brown field site; construction was completed in 2009. The Group is now engaged exclusively in the operation of the new school and the provision of support services functions over the concession period of 25 years. In return the company is entitled to receive concession revenue over the concession period, following the completion of the construction phase. The principal activity of the Company is that of an investment holding company.

The Group made a profit of £123,000 (2019: £53,000) and paid dividends of £Nil (2019: £200,000) during the year.

Directors

The directors of the Company serving during the year and appointed post year end were:
H Holman – Resigned 4th February 2021
A Thorne – Resigned 15th February 2021
D W Davies – Appointed 5th February 2021
E M Bourgeois – Appointed 15th February 2021

Strategic report exemption

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

Indemnity provisions

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

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.
The Company was able to meet the financial covenants as at 31 March 2020 and 30 September 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.

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, sub-contractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these sub-contractors 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.

Disclosure of information to the auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

The Report of the Directors was approved by the Board on 29 September 2021 and signed on its behalf by:

D W Davies
Director

Registered Address:
Astral House,
Imperial Way,
Watford,
Herts.
WD24 4WW

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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; and
- 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.

Opinion

We have audited the financial statements of Newport School Solutions (Holdings) Limited ("the company") for the year ended 31 December 2020 which comprise the Consolidated Profit and Loss Account and Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, , Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *The Financial Reporting Standards 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 group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

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 group or 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 group or the company will continue in operation.

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 Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", 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 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 the costs incurred which relate to provision of services under the concession contract using the mark-up determined in the financial forecasts 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 Group 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 regulations as part of our procedures on the related financial statement items.

Secondly, the Group 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 Group'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.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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.

J Long

Joseph Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
66 Queen Square,
Bristol,
BS1 4BE

30 September 2021

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2020

	Notes	2020 £000	2019 £000
Turnover	2	**698**	645
Cost of sales		**(429)**	(407)
Gross profit		**269**	238
Administrative expenses		**(207)**	(193)
Operating profit	3	**62**	45
Interest receivable and similar income	5	**823**	844
Interest payable and similar expenses	5	**(735)**	(822)
Profit before taxation		**150**	67
Tax on profit	6	**(27)**	(14)
Profit for the year		**123**	53

Other Comprehensive Income		**2020 £000**	2019 £000
Items that will, or may be, classified to profit or loss			
Loss arising on changes in fair value of cashflow hedges	10	**(219)**	(57)
Tax recognised in relation to change in fair value of cashflow hedges	6	**111**	11
Other comprehensive expense for the year		**(108)**	(46)
Total comprehensive income for the year		**15**	7

All results arise from continuing operations.

The notes on pages 15 to 28 form an integral part to the financial statements.

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AT 31ST DECEMBER 2020

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2019	1	(2,859)	247	(2,611)
Total comprehensive income for the period				
Profit	-	-	53	53
Other comprehensive loss	-	(46)	-	(46)
Total comprehensive (loss)/income for the period	-	(46)	53	7
Dividends	-	-	(200)	(200)
Total contributions by and distributions to owners	-	-	(200)	(200)
Balance at 31st December 2019	1	(2,905)	100	(2,804)

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2020	1	(2,905)	100	(2,804)
Total comprehensive income for the period				
Profit	-	-	123	123
Other comprehensive loss	-	(108)	-	(108)
Total comprehensive profit for the period	-	(108)	123	15
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31st December 2020	1	(3,013)	223	(2,789)

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

The notes on pages 15 to 28 form an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2020

	Notes	2020 £000	*Restated** 2019 £000
Current assets			
Debtors : due within one year	8	**792**	986
Debtors : due after one year	8	**10,478**	11,031
Cash at bank and in hand		**1,379**	1,111
		12,649	13,128
Creditors: amounts falling due within one year	10	**(928)**	(1,097)
Net current assets		**11,721**	12,031
Creditors: amounts falling due after more than one year	11	**(14,510)**	(14,835)
Net liabilities		**(2,789)**	(2,804)
Capital and reserves			
Called up share capital	13	**1**	1
Cashflow hedge reserve		**(3,013)**	(2,905)
Profit and loss account		**223**	100
Shareholders' deficit		**(2,789)**	(2,804)

The notes on pages 15 to 28 form an integral part to the financial statements.

* - see note 18 in respect of the restatement.

The financial statements were approved by the Board on 29 September 2021 and signed on its behalf by:

D W Davies
Director
Company Registered Number 4921422

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

COMPANY BALANCE SHEET
AT 31ST DECEMBER 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Investments	7	**1**	1
Net assets		**1**	1
Capital and reserves			
Called up share capital	13	**1**	1
Shareholders' funds		**1**	1

During the year, the Company made a profit of £nil. (2019: £200,000). Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit or loss account.

The notes on pages 15 to 28 form an integral part to the financial statements.

The financial statements were approved by the Board on 29 September 2021 and signed on its behalf by:

D W Davies
Director
Company Registered Number 4921422

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
AT 31ST DECEMBER 2020

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2019	1	-	1
Total comprehensive expense for the period			
Profit	-	200	200
Other comprehensive income	-	-	-
Total comprehensive income for the period	1	200	201
Dividends	-	(200)	(200)
Total contributions by and distributions to owners 200	-	(200)	(200)
Balance at 31st December 2019	1	-	1

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2020	1	-	1
Total comprehensive income for the period			
Profit	-	-	-
Other comprehensive expense	-	-	-
Total comprehensive (expense)/income for the period	-	-	-
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31st December 2020	1	-	1

The notes on pages 15 to 28 form an integral part of the financial statements.

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED CASHFLOW STATEMENT
AT 31ST DECEMBER 2020

	Notes	2020	*Restated** 2019
Cash flows from operating activities		**£000**	£000
Profit for the year		**123**	53
Adjustments for:			
Interest received	5	**(823)**	(844)
Interest paid	5	**735**	822
Taxation	6	**27**	14
Operating cash flows before movements in working capital		**62**	45
Decrease in debtors		**409**	644
Increase in creditors		**18**	850
Cash generated from operations		**489**	1,539
Tax paid		**(21)**	(1)
Net cash from operating activities		**468**	1,538
Cash flows from investing activities			
Interest received		**823**	9
Cash placed in fixed term deposits		**(973)**	(450)
Cash returned from fixed term deposits		**1,423**	-
Net cash from investing activities		**1,273**	(441)
Cash flows from financing activities			
Repayment of bank loans		**(678)**	(428)
Dividend payment		**-**	(200)
Interest paid		**(795)**	(811)
Net cash from financing activities		**(1,473)**	(1,439)
Net increase/(Decrease) in cash and cash Equivalents		**268**	(342)
Cash and cash equivalents at 1st January		**1,111**	1,453
Cash and cash equivalents at 31st December		**1,379**	1,111

* - see note 18 in respect of the restatement.
The notes on pages 15 to 28 form an integral part of the financial statements.

1 Accounting Policies

Newport School Solutions (Holdings) Limited (the "Company") is a company limited by shares and incorporated and domiciled in England in the UK.

Basis of Preparation

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

FRS 102 granted certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions continue to be taken in these financial statements:

- Service concession arrangements - The Company entered into its Service concession arrangement before the date of transition to FRS102. 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.
- Hedge accounting documentation - The Company has taken advantage of the exemption in respect of having prepared hedge accounting documentation for each of the hedging relationships which existed previously before the date of transition.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemption available under FRS 102 in respect of certain disclosures for the parent company financial statements has been applied.

- Cash Flow Statement and related notes

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

1.1 Measurement Convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of 15 months from the date of approval of these financial statements through to 31 December 2021 which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Education.

1 **Accounting Policies** (continued)

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

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

Throughout the pandemic the Company has continued to provide the asset in accordance with the contract and it has been available to be used. Newport City Council has continued to pay the unitary payment throughout the reporting period without material deductions. As a result, the Company does not believe there is any likelihood of a material impact to future unitary payments.

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

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

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

1.3 Classification of financial instruments issued by the group

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

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

1 **Accounting Policies** (continued)

1.4 ***Basic financial instruments***

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effect interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.5 ***Other financial instruments***

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

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

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

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The Company has entered into an interest rate swap and designated this as a hedge for highly probable forecast transactions. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1 Accounting Policies (continued)

1.6 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.

1.7 Expense

Interest payable and similar expenses include :-

Interest payable and similar charges include interest payable and finance charges on loans payable.
Other interest receivable and similar income include interest receivable on financing.
Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.8 ***Finance debtor and service income policy***

The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Group under FRS 102 section 34C, 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 FRS 102 section 23. The Group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

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

1.9 ***Restricted Cash***

The Group is obligated to keep a separate cash reserve in respect of future major maintenance and debt service costs, some of which has been placed in fixed term deposit accounts. This restricted balance, which is shown on the statement of financial position within the "cash at bank and in hand" balance for cash balances and within the "debtors due within one year" for amounts held in fixed term deposits, amounts to £nil at the year-end (2019: £450,000).

1 **Accounting Policies** (continued)

1.10 *Taxation*
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.11 *Investments*
Investments held as fixed assets are stated at cost less write downs to recoverable amounts where impairments are identified.

1.12 *Project structure*
On 18 March 2008, Newport School Solutions Limited entered into a long-term contract under a Private Finance Initiative (PFI) with Newport City Council to design, build, finance, operate and manage a 650 pupil combined nursery, infant and junior school on the outskirts of Newport, South Wales. The school was being built on council owned brown field site; construction was completed in 2009.
The Group is now engaged exclusively in the operation of the new school and has assumed and passed down the provision of hard and soft support services functions through its subcontractor Vinci Facilities over the concession period of 25 years. Life cycle risk is retained by the Group. In return the Group is entitled to receive concession revenue over the concession period, following the completion of the construction phase. This Unitary Payment from Newport City Council is a fixed base fee which allows for inflationary increases each year. The scope of services to be provided can be amended through the variation process outlined within the Project Agreement between the Group and Newport City Council. The Authority is entitled to voluntarily terminate the Project Agreement at any time by providing 20 working days' notice and in such circumstances the Group is entitled to termination compensation as outlined in the Project Agreement.
There are no profit-sharing arrangements in place with Newport City Council other than biannual insurance sharing through review of actual costs incurred as compared with those originally projected at financial close.
Senior debt financing for the project is provided by Barclays Bank Plc, Aviva Life and Pensions UK Limited is the swap counterparty with subordinated debt provided by Infrastructure Investments Holdings Limited.
There are a number of key assumptions affecting the Group's cashflows including inflation given indexation of the Unitary Payment receivable from Newport City Council and the service payment payable to Vinci Facilities, who are assumed to be able to continue with service provision at the contracted level throughout the concession term. Interest rates on senior debt are hedged through the use of SWAPS. The timing and value of life cycle expenditure are also key assumptions

2. Revenue

	2020	2019
	£000	£000
The revenue is derived as follows:		
Service fee	**429**	407
Availability fee	**269**	238
	698	645

3. Operating profit

	2020	2019
Auditor's remuneration	**£000**	£000
Audit of these financial statements	**1**	1
Audit of subsidiaries of the Company	**14**	11
Remuneration for non-audit services	**-**	-
	15	12

4. Employees

The Group had no employees during the year (2019: nil). None of the directors received remuneration relating to their services as directors of Newport School Solutions (Holdings) Limited (2019: nil).

5. Interest receivable/ (payable) and similar income/ (expense)

	2020	2019
	£000	£000
Finance debtor interest	**819**	835
Bank interest receivable	**4**	9
	823	844
Interest payable		
Bank interest payable	**(593)**	(635)
Amortised cost of financial debt	**(7)**	(7)
Other interest	**(135)**	(180)
	(735)	(822)

6. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020	2019
Current Tax	**£000**	£000
Current Tax on income for the period	**27**	14
Adjustments in respect of prior periods	**-**	-
Total current tax	**27**	14
Deferred taxation:		
Increase in tax rate on deferred taxes	**(70)**	-
Origination and reversal of timing differences	**(41)**	(11)
Total Deferred Tax	**(111)**	(11)
Total Tax	**(84)**	3

	2020			2019		
	£000	**£000**	**£000**	£000	£000	£000
	Current Tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	27	-	27	14	-	14
Recognised in other comprehensive income	-	(111)	(111)	-	(11)	(11)
Total tax	27	(111)	(84)	14	(11)	3

Analysis of current tax recognised in profit and loss

	2020	2019
	£000	£000
UK Corporation Tax	27	14
Total Current tax recognised in profit and loss	27	14

6. **Taxation** (continued)

Reconciliation of effective tax rate	**2020** **£000**	2019 £000
Profit excluding taxation	**150**	67
Tax at UK corporation tax rate 19.00% (2019: 19.00%)	**28**	13
FRS102 adjustment	**(1)**	1
Other timing differences	-	-
Total tax expense included in profit or loss	**27**	14

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2016. A further reduction to 17% (effective 1 April 2020) was substantively enacted on the 6 September 2017. However, the March 2020 budget cancelled the reduction of the corporation tax rate from 19% to 17% and this change was substantively enacted on 17 March 2020. The deferred tax asset at 31 December 2020 has been calculated based on this 19% rate.
The Chancellor announced in the Budget on 3 March 2021, that there would be an increase in the top rate of corporation tax to 25% for companies generated taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. This change becomes effective from 1 April 2023. reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2020 has been calculated based on this rate.
The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset by £70k.

7. **Investments**

Company	Shares £000
Cost:	
At 1st January 2020 and 31st December 2020	1
Net book value:	
At 1st January 2020 and 31st December 2020	1

The investment comprises 100% of the ordinary share capital of Newport School Solutions Limited, a Private Finance Initiative Company incorporated in England and Wales.

The Company's registered offices are: Astral House, Imperial Way, Watford, Hertfordshire, WD24 4WW.

8. Group Debtors

	2020 £000	*Restated** 2019 £000
Debtors: due within one year		
Trade debtors	**215**	-
Finance debtor	**559**	525
Prepayments and accrued income	**18**	11
Other financial assets	**-**	450
	792	986

* - see note 18 in respect of the restatement.

	2020 £000	2019 £000
Debtors: due after one year		
Finance debtor	**9,766**	10,430
Deferred tax asset	**712**	601
	10,478	11,031

Group Finance Debtor

Analysis of finance debtor	2020 £000	2019 £000
Amounts due:		
Within one year	**559**	525
Between two and five years	**2,622**	2,463
Over five years	**7,144**	7,967
Total finance debtor	**10,325**	10,955

9. Deferred tax asset

	2020 £000	2019 £000
Deferred tax is attributable to the following:		
Group		
Derivative financial instruments	**713**	602
Other timing differences	**(1)**	(1)
	712	601

9. **Deferred tax asset** (continued)

Movement in deferred tax during the prior year	1st January 2019 £000	Recognised in income £000	Recognised in other comprehensive income £000	31st December 2019 £000
Deferred tax on revaluation of fair value of derivatives	591	-	11	602
Other timing differences	(1)	-	-	(1)
	590	-	11	601

Movement in deferred tax during the year	**1st January 2020 £000**	**Recognised in income £000**	**Recognised in other comprehensive income £000**	**31st December 2020 £000**
Deferred tax on revaluation of fair value of derivatives	602	-	111	713
Other timing differences	(1)	-	-	(1)
	601	-	111	712

10. **Group Creditors**: amounts falling due within one year

	2020 £000	2019 £000
Bank loans and overdraft	**554**	697
Subordinated loans	**10**	64
Corporation tax	**19**	24
Taxation - VAT	**70**	63
Accruals including accrued loan interest	**175**	207
Other creditors	**100**	42
	928	1,097

11. **Creditors**: amounts falling due after more than one year

	2020 £000	2019 £000
Bank loans and overdraft	**9,385**	9,920
Subordinated loans	**1,373**	1,382
Other financial liabilities (see note 12)	**3,752**	3,533
	14,510	14,835

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

The subordinated loan due to the parent company is valued at £ £1,383,000 (2019: £1,401,000) at a nominal interest rate of 12.8% per annum repayable over the concession period from 2011.

Included within the bank loans are arrangement fees of £87,000 (2019: £95,000) which will be written off to the profit and loss account over the period of the loan. The group is committed to senior debt facilities of £15m. This loan is under a non-recourse finance agreement and is repayable over 24 years (inclusive of a 21-month grace period during construction). Interest repayments will be fully hedged for the life of the loan at the prevailing market rate at financial close with a margin of 0.75% during construction and 0.6% during the operating period.

Following the FCA's announcement that LIBOR will no longer be published after 31 December 2021, the Group has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based (e.g. LIBOR) will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised. The Group has taken advantage of these amendments in relation to the LIBOR interest rate noted above. The transition from LIBOR has not yet occurred, but is expected to occur prior to 31 December 2021.

The bank and the subordinated loans drawn down may be analysed by maturity as follows:

	2020	2019
	£000	£000
Repayable		
within one year	**564**	761
between one and two years	**556**	564
between one and five years	**1,579**	1,343
after more than five years	**8,623**	9,395
	11,322	12,063

Net debt analysis	Borrowings due within one year £000	Borrowings due after one year £000	Subtotal £000	Cash at bank and in hand £000	Net debt £000
Balance at 1 January 2020 (*Restated**)	761	14,835	15,596	(1,111)	14,485
Cash flows	(678)	-	(678)	(268)	(946)
Other non-cash changes	481	(325)	156	-	156
Balance at 31 December 2020	**564**	**14,510**	**15,074**	**(1,379)**	**13,695**

* - see note 18 in respect of the restatement.

12. **Financial instruments**

(a) Carrying amount of financial instruments

The carrying amount of the financial instruments include:	**2020**	*Restated** 2019
Assets measured at amortised cost	**£000**	£000
Finance debtor	**10,325**	10,955
Trade and other debtors	**233**	11
Other financial assets	**-**	450
	10,558	11,416
Assets measured at cost less impairment		
Cash and cash equivalents	**1,379**	1,111
Liabilities measured at amortised cost		
Trade and other payables	**364**	336
Bank loan	**9,939**	10,617
Subordinated debt	**1,383**	1,446
	11,686	12,399

* - see note 18 in respect of the restatement.

(b)		**2020**	2019
	Financial instrument measured at fair value	**£000**	£000
	Derivative financial instruments:		
	Liabilities measured at fair value through hedge accounting	**(3,752)**	(3,533)

On 31 March 2008, the Company entered into an interest rate swap arrangement with a third party for the notional amount of the company's variable rate borrowings which has the commercial effect of swapping variable interest rate coupon on the loan for a fixed rate coupons of 5.04%. This swap arrangement expires in March 2034.

13. Share capital

	Allotted, called up and fully paid	
	2020	2019
	£	£
1,000 (2019: 1,000) Ordinary shares of £1 each	**1,000**	1,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14. Capital Commitments

The Company had no capital commitments at 31st December 2020 or 31st December 2019.

15. Related party transactions

The Company is a wholly owned subsidiary of Infrastructure Investments Holdings Limited (IIHL).

IIHL has a subordinated loan balance of £1,383,000 (2019: £1,401,000) with the Company.

During the year, the Group accrued and charged through the profit and loss account subordinated debt interest of £135,000 (2019: £180,000) and paid subordinated debt interest of £135,000 (2019: £180,000) and Directors' Fees of £59,000 (2019: £53,000).

16. Estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

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

- Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profiles which is based on forecasted results of the PFI contract.

- Life cycle costs are a significant proportion of future expenditure and they can be volatile in nature. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis

17. **Ultimate Parent Company**

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

18. **Prior year adjustment**

During the year it was identified that in the prior year the Group had incorrectly presented some amounts held on term deposits as cash that did not meet the definition of cash (nor cash equivalents) due to the length of the term of the deposit. The impact on the financial statements is as follows:

	Note	31 December 2019 As previously reported £000	Effect of adjustment £000	Restated £000
Current Assets				
Cash at bank and in hand		1,561	(450)	1,111
Debtors	8	536	450	986
Other financial assets (within debtors)		-	450	450

There was no impact on current assets, net assets or retained earnings as at 31 December 2018 or 31 December 2019 or the profit for the year ended 31 December 2019.

In addition, the consolidated cash flow statement has been restated to reflect that the amounts held on deposit were not cash (nor cash equivalents) with the associated movements in other financial assets presented within investing activities.

	31 December 2019 As previously reported £000	Effect of adjustment £000	Restated £000
Cash at bank and in hand	1,561	(450)	1,111
Cash placed in fixed term deposits	-	(450)	(450)
Cash returned from fixed term deposits	-	-	-
Net cash from investing activities	9	(450)	(441)
Net increase/(decrease) in cash at bank and cash in hand	108	(450)	(342)

There was no impact on the cash at bank and in hand balance as at 1 January 2019.