Company Registered No: 04968498

Kajima Darlington Schools Limited

Annual Report and financial statements

for the year ended 31 December 2021

Kajima Darlington Schools Limited

Contents

Kajima Darlington Schools Limited

Officers and professional advisers

Directors

G. Doctor (resigned 18 May 2022)
N. Poupard
D.J. Moss
G. Martina
C. Gill (appointed 9 August 2021)
A.J. McErlane (appointed 18 May 2022)

Company Secretary

J A Cheadle

Registered office

10 St. Giles Square
London
United Kingdom
WC2H 8AP

Bankers

SMBC Bank International PLC

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Kajima Darlington Schools Limited

Directors' report

The directors of Kajima Darlington Schools Limited ("the company") present their annual report and the financial statements for the year ended 31 December 2021. This Directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006. No strategic report has been prepared, in accordance with the provisions applicable to companies entitled to the small companies exemption.

Business review and principal activities

The company is a wholly-owned subsidiary of Kajima Darlington Schools Holding Limited ("KDSHL").

The principal activity of the company is to develop and operate a primary school and an educational village for Darlington Borough Council under the UK Government's Private Finance Initiative. The primary school has been fully operational since September 2005 and the education village was handed over and became operational in March 2006.

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Results

As shown in the company's Income statement on page 10 and Note 3 on page 20, the company's revenue (excluding deemed sales) increased by 0.93%, with the gross profit increasing by 9.39% compared to the previous year and an increase in operating profit from £165,979 to £187,591. Overall, the company made a post-tax profit of £127,269 (2020: £113,804). The net Assets for the year 2021 is £517,502, this has increased by 280% compared to last year (2020: net liabilities £287,481). This is due to the unwinding financial assets and movement in interest rate swap.

Financial risk management

The financial risks to which the company is exposed are credit risk, interest rate risk, cash flow risk, inflation risk and liquidity risk.

Credit risk

The company's credit risk is attributable to its unitary charge income from its sole customer, Darlington Borough Council. As this is a quasi-governmental organisation, the credit risk and associated cash flow risk are not considered significant.

Interest rate risk

The company's credit risk is attributable to its unitary charge income from its sole customer, Darlington Borough Council. As this is a quasi-governmental organisation, the credit risk and associated cash flow risk are not considered significant.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in interest rates. The company uses interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Inflation risk

The company is exposed to inflation risk due to contractual obligations to its suppliers. The company mitigates this by linking an element of the unitary charge to inflation.

Liquidity risk

The company mitigates its liquidity risk by the use of long-term borrowings and by maintaining reserve bank accounts to provide short-term liquidity against future debt service and other expenditure requirements. In addition, the company maintains a rolling cash flow forecast based on the bank-approved financial model, which is regularly updated to reflect actual cash movements and any projected changes. This forecast is used to monitor the company's ability to meet its future cash commitments and ensure compliance with the bank covenants.

Kajima Darlington Schools Limited

Directors' report (continued)

Going concern

The Directors have assessed the liquidity and forecast covenant compliance for a period of at least twelve months from date of approval of the financial statements. These forecasts include the ability of the Company to meet all loan and interest repayments and other liabilities as they fall due.

During the year, the Covid-19 pandemic continued to have a negative impact on the economy as a whole. However, with Covid-19 related restrictions easing through the start of 2022 and expected to ease further, this impact is forecast to reduce. The Directors have considered the potential impact of Covid-19 when making this assessment.

The company meets its day to day working capital requirements principally through unitary charge receipts from the Council. As a result of market uncertainty due to the economic environment and the Covid-19 virus epidemic, the following is a potential risk to the company:

- the ability of key sub-contractors to continue to meet their contractual commitments.

The Directors have further assessed the ability of key sub-contractors to continue to meet their contractual commitments including the unlikely event of a sub-contractor failure. In making their assessment, the Directors have tested various stress scenarios which show that, even in the unlikely event of a sub-contractor failure, the Company can continue to meet loan covenants and other liabilities as they fall due (including covenant compliance and the funding of reserves) in the next twelve months. The principal loan covenants are historic and forecast financial ratios.

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.

Share capital

Issued share capital at the year end was £120,000 (2020: £120,000).

Directors

The directors who served during the year and up to the date of approval of these financial statements are shown on page 1. On 9 August 2021, C. Gill was appointed as director of the company. On 18 May 2022, G. Doctor resigned as director and A.J. McErlane was appointed as director of the company.

Qualifying third party indemnity provisions are currently in force for the benefit of certain directors.

Disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

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

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Kajima Darlington Schools Limited

Directors' report (continued)

Auditor

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 and, unless the company receives notice under Section 488(1) of the Act, offer themselves for reappointment as auditor in accordance with the Companies Act.

The directors' report was approved by the Board on 31 May 2022 and signed on its behalf by:

J A Cheadle
Company Secretary

Kajima Darlington Schools Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including the FRS 101 "Reduced Disclosure Framework". 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 accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kajima Darlington Schools Limited

Independent auditor's report to the members of Kajima Darlington Schools Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kajima Darlington Schools Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Kajima Darlington Schools Limited

Independent auditor's report to the members of Kajima Darlington Schools Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Kajima Darlington Schools Limited

Independent auditor's report to the members of Kajima Darlington Schools Limited (continued)

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Revenue recognition is based upon the allocated proportion of the unitary charge received in line with the PFI model. The PFI model is updated every six months and there is judgement over how the unitary charge is split across the constituent parts. In response to this we have challenged the model and the updates to it, understood the rationale for the movements, considered the banks approval for those amendments and assessed the allocation and accuracy of the revenue recognised.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Independent auditor's report to the members of Kajima Darlington Schools Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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

James Wright FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

31 May 2022

Kajima Darlington Schools Limited

Income statement
For the year ended 31 December 2021

	Note	2021 £	2020 £
Revenue	3	2,503,660	2,480,626
Cost of sales		(1,989,522)	(2,010,625)
Gross profit		514,138	470,001
Administrative expenses		(326,548)	(304,022)
Operating profit	6	187,590	165,979
Finance income	4	1,001,966	1,090,271
Finance costs	5	(1,032,434)	(1,117,752)
Profit before taxation		157,122	138,498
Tax on profit	7	(29,853)	(24,694)
Profit for the financial year		127,269	113,804

All results are derived from continuing operations.

The notes on pages 14 to 26 form part of these financial statements.

Kajima Darlington Schools Limited

Statement of other comprehensive income
For the year ended 31 December 2021

	Note	2021 £	2020 £
Profit for the year		127,269	113,804
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
Gains arising during the year	17	837,566	145,150
Deferred tax in relation to cash flow hedges	7	(84,852)	16,837
Total other comprehensive income for the year		752,714	161,987
Total comprehensive income for the year		879,983	275,791

The notes on pages 14 to 26 form part of these financial statements.

Kajima Darlington Schools Limited

Statement of financial position
As at 31 December 2021

	Note	2021 £	2020 £
Non-current assets			
Financial asset	8	12,756,292	14,163,960
Deferred tax	9	318,758	406,688
Current assets			
Trade and other receivables	10	428,811	512,694
Short term investments	11	1,694,886	1,304,588
Cash at bank and in hand		30,457	27,835
Total assets		15,229,204	16,415,765
Current liabilities			
Trade and other payables	12	(627,223)	(589,081)
Current tax liabilities		(50,012)	(23,237)
Borrowings	14	(1,241,424)	(1,227,647)
Net current assets		235,495	5,152
Total assets less current liabilities		13,310,545	14,575,800
Non-current liabilities			
Derivative financial instruments	15	(1,238,095)	(2,075,660)
Borrowings	13/14	(11,554,947)	(12,787,621)
Net Assets/(Liabilities)		517,503	(287,481)
Equity			
Called up share capital	16	120,000	120,000
Hedging reserve	17	(928,571)	(1,681,285)
Retained earnings	18	1,326,075	1,273,804
Equity		517,503	(287,481)

The financial statements of Kajima Darlington Schools Limited, registered number 04968498, were approved by the Board of Directors on 31 May 2022 and signed on its behalf by

N Poupard

N Poupard
Director

The notes on pages 14 to 26 form part of these financial statements.

Kajima Darlington Schools Limited

Statement of changes in equity
For the year ended 31 December 2021

	Note	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
Balance at 1 January 2020		120,000	(1,843,272)	1,335,000	(388,272)
Profit for the year		-	-	113,804	113,804
Other comprehensive income for the year	17	-	161,987	-	161,987
Total comprehensive income for the year		-	161,987	113,804	275,791
Dividends	18	-	-	(175,000)	(175,000)
Balance at 31 December 2020		120,000	(1,681,285)	1,273,804	(287,481)
Profit for the year		-	-	127,269	127,271
Other comprehensive income for the year	17	-	752,714	-	752,714
Total comprehensive income for the year		-	752,714	127,269	879,985
Dividends	18/19	-	-	(75,000)	(75,000)
Balance at 31 December 2021		120,000	(928,571)	1,326,073	517,503

The notes on pages 14 to 26 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2021

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Kajima Darlington Schools Limited is a company incorporated in the United Kingdom under the Companies Act 2006, registered in England and is a private company limited by shares. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2021 the company continued to adopt accounting framework FRS 101 as issued by the Financial Reporting Council. Therefore, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101 "Reduced Disclosure Framework"). The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

These financial statements are prepared in pounds sterling because that is the currency of the primary economic activity in which the company operates.

As permitted by FRS 101, as a qualifying entity the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Redwood Partnership Ventures Limited. The group accounts of Redwood Partnership Ventures Limited are available to the public and can be obtained as set out in note 23.

Going concern

The Directors have assessed the liquidity and forecast covenant compliance for a period of at least twelve months from date of approval of the financial statements. These forecasts include the ability of the Company to meet all loan and interest repayments and other liabilities as they fall due.

During the year, the Covid-19 pandemic continued to have a negative impact on the economy as a whole. However, with Covid-19 related restrictions easing through the start of 2022 and expected to ease further, this impact is forecast to reduce. The Directors have considered the potential impact of Covid-19 when making this assessment.

The company meets its day to day working capital requirements principally through unitary charge receipts from the Council. As a result of market uncertainty due to the economic environment and the Covid-19 virus epidemic, the following is a potential risk to the company:

- the ability of key sub-contractors to continue to meet their contractual commitments.

The Directors have further assessed the ability of key sub-contractors to continue to meet their contractual commitments including the unlikely event of a sub-contractor failure. In making their assessment, the Directors have tested various stress scenarios which show that, even in the unlikely event of a sub-contractor failure, the Company can continue to meet loan covenants and other liabilities as they fall due (including covenant compliance and the funding of reserves) in the next twelve months. The principal loan covenants are historic and forecast financial ratios.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

New and amended IFRS Standards that are effective for the current year

Interest Rate Benchmark Reform: Phase 1 Amendments to IFRS 9

The entity, due to the interest rate swap held, is affected by the interest rate benchmark (IBOR) reform. The relevant disclosures fall under IFRS 9 Financial Instruments and the exemption from these disclosure requirements allowed by FRS 101 has been taken; these disclosures have been included within the financial statements of Redwood Partnerships Ventures Limited, the ultimate parent and controlling company into which the company is consolidated.

Amendments to international reporting standards, amendments and interpretations

All new standards effective in the year were assessed to not have a material impact on the financial statements.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it may exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue

Revenue, which is stated net of value added tax, represents amounts invoiced for services provided in the year after allowing for the repayment of, and interest imputed on, the finance asset (see below).

Operating profit

Operating profit is stated after charging professional fees but before investment income and finance costs.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The company has adopted IFRIC 12 - Service Concession Arrangements whereby the client, Darlington Council, has contracted with the company to operate a primary school and educational village for 25 years. IFRIC 12 draws a distinction between two types of concession arrangement; financial asset and intangible asset. All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

In accordance with IFRIC 12 the company has an unconditional right to receive specified or determinable amounts of cash from the client in return for constructing and then operating and maintaining the schools. In the construction phase, income is recognised by applying an attributable profit margin on the construction costs representing the fair value of construction services. In the operational phase, income is recognised by allocating a proportion of total cash received over the life of the project to service costs by means of a deemed constant rate of return on these costs. The residual element of projected cash is allocated to the financial asset using the effective interest rate method giving rise to interest income. Due to the nature of the contractual arrangements the projected cash flows can be estimated with a high degree of certainty. Investment income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, the rate that exactly discounts estimated future cash receipts through the expected life of the PPP financial asset to that asset's net carrying amount on initial recognition.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit and loss ("FVTPL").

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets measured at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company recognises a lifetime expected credit loss for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When

a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised as profit or loss.

Derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 15.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The company designates certain derivatives as hedging instruments in cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 15 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 17.

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The directors have made the following critical judgment in the process of applying the company's accounting policies.

Service concession arrangement

As disclosed in Note 1, the company accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the company's forecasts. The directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

Notes to the financial statements (continued)
For the year ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Derivative financial instruments

The key sources of estimation uncertainty which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are described below.

The company uses derivative financial instruments which are principally swaps to manage the interest rate risks to which the company is exposed by its long-term contractual agreements. These derivatives are initially recognised as assets and liabilities at their fair value and subsequently remeasured at each reporting date at their fair value. The fair value of the derivatives changes in response to prevailing market conditions. A gain of £145,150 (2020: gain of £245,880) was taken to equity in the year to 31 December 2020.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

3. Revenue

	2021 £	2020 £
Unitary charge and other income	2,503,660	2,480,626

All revenue arose in the United Kingdom and from one operation.

4. Finance income

	2021 £	2020 £
Bank interest receivable	2,344	4,213
Finance income on financial asset	999,622	1,086,058
	1,001,966	1,090,271

5. Finance costs

	2021 £	2020 £
Bank loan interest	665,010	749,322
Subordinated loan interest	367,424	368,430
	1,032,434	1,117,752

Notes to the financial statements (continued)
For the year ended 31 December 2021

6. Operating profit

Operating profit is stated after charging:

	2021 £	2020 £
Fees payable to the company's auditor:		
For the audit of the annual accounts:		
Company	7,789	7,789
Parent (borne by the company)	1,000	1,000
Total audit fees	8,789	8,789
Non-audit services:		
Taxation compliance services	1,400	1,400
Non statutory audit services	-	-
Total fees	10,189	10,189

7. Taxation

(a) Tax on profit

The tax charge comprises:

	2021 £	2020 £
Current tax:		
UK Corporation tax on profits in the year	29,853	26,315
Adjustments in respect of prior year	-	1,458
	29,853	26,315
Deferred tax:		
Movement in temporary differences	-	(3,078)
Total tax on profit on ordinary activities	29,853	24,695

Notes to the financial statements (continued)
For the year ended 31 December 2021

(b) Factors affecting tax charge for the year

The total tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	157,123	138,498
Profit on ordinary activities multiplied by effective rate of UK corporation tax of 19% (2020: 19%)	29,853	26,315
Effect of:		
Prior year adjustment	-	-
Losses utilised during the year	3,078	1,458
Movement in deferred tax	(3,078)	(3,078)
Total tax charge for the year	29,853	24,695

(c) Deferred taxation

	2021 £	2020 £
Deferred tax relating to other temporary differences	9,234	12,312

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The company is in the process of assessing the full impact of this announcement, but If the amended tax rate had been used, it is possible that the deferred tax asset would be materially higher.

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

The following amounts relating to tax have been recognised in other comprehensive income:

	2021 £	2020 £
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Deferred tax asset brought forward	394,376	377,538
Effect of decrease in tax rate on opening liability	-	44,416
Deferred tax on the movement on derivative financial instruments at 19% (2020: 19%)	(84,852)	(27,578)
Total deferred tax on derivative financial instruments	309,524	394,376

Notes to the financial statements (continued)
For the year ended 31 December 2021

8. Financial assets

	2021 £	2020 £
Finance asset	12,756,292	14,163,960

9. Deferred tax

	2021 £	2020 £
Deferred tax asset on fair value of derivative financial instruments	309,524	394,375
Deferred tax relating to other temporary differences	9,234	12,312
	318,758	406,687

The movements in deferred tax arising from temporary differences have been charged to profit or loss and those arising from derivative valuations have been charged to other comprehensive income.

10. Trade and other receivables

	2021 £	2020 £
Trade and other receivables	393,712	478,389
Prepayments and accrued income	35,099	34,305
	428,811	512,694

11. Short-term investments

	2021 £	2020 £
Bank deposits	1,694,886	1,304,588

The short term investments consist of short term bank deposits.

12. Trade and other payables

	2021 £	2020 £
Trade payables	177,148	161,617
Accruals and deferred income	323,326	325,053
Due to group entities	-	-
Other taxes	126,750	102,411
	627,224	589,081

Amounts due to group companies are repayable on demand.

Notes to the financial statements (continued)
For the year ended 31 December 2021

13. Non-current liabilities

	2021	2020
	£	£
Bank loan (secured)	8,555,569	9,788,243
Subordinated loan (unsecured)	2,999,378	2,999,378
	11,554,947	12,787,621

14. Borrowings

	2021	2020
	£	£
Borrowings are as follows:		
Bank loans (secured)	9,796,994	11,015,890
Subordinated loans (unsecured)	2,999,378	2,999,378
	12,796,372	14,015,268
Bank loans are repayable as follows:		
Within one year	1,241,424	1,227,647
Between one and five years	5,595,948	5,446,608
Over five years	2,959,622	4,341,635
	9,796,994	11,015,890

The bank loan, secured by a charge on the company's shares, is under a facility agreement with a consortium of banks and is subject to a swap contract to fix the interest rate and minimise the interest rate exposure. The bank loan bears interest at a margin over LIBOR and is repayable in instalments to 2032. As of the date of approval of these accounts, the interest rate has now changed to SONIA. As a result of this contract, the effective rate for the loan is 5.96%.

There have been no borrowing costs capitalised in the current year (2020: £nil).

The unsecured subordinated loan, which is repayable in instalments to 2034, has an interest rate of 12.5% and has been provided by Infrastructure Investments General Partner and Kajima Partnerships Limited.

15. Derivative financial instruments

	2021	2020
	£	£
Interest rate swap	1,238,095	2,075,660

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and inflation risk, including interest rate swaps and RPI swaps.

Under interest rate swap contracts, the company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

Notes to the financial statements (continued)
For the year ended 31 December 2021

16. Called up share capital

	2021 £	2020 £
Allotted, Authorised called up and fully paid		
120,000 ordinary shares of £1 each	120,000	120,000

17. Hedging reserve

	Hedging reserve £
Balance at 1 January 2020	(1,843,272)
Gain recognised on cash flow hedges:	
Interest rate swaps	145,150
Tax related to losses recognised in other comprehensive income	16,837
Balance at 31 December 2020	(1,681,285)
Gain/(Losses) recognised on cash flow hedges:	
Interest rate swaps	837,566
Tax related to gain recognised in other comprehensive income	(84,852)
Sub-total	752,714
Balance at 31 December 2021	(928,571)

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

18. Retained earnings

	Retained earnings £
At 1 January 2020	1,335,000
Profit for the year	113,804
Dividends paid	(175,000)
At 31 December 2020	1,273,804
Profit for the year	127,271
Dividends paid	(75,000)
At 31 December 2021	1,326,075

Notes to the financial statements (continued)
For the year ended 31 December 2021

19. Dividends per equity shares

Dividend per share 63p (2020: 146p).

20. Directors remuneration

No director received any remuneration for services provided to the company during the year (2020: £nil).

21. Employees

The company had no employees in the year (2020: £nil).

22. Transactions with directors and other related parties

There are no transactions with the directors to be disclosed.

The company has taken advantage of the exemption conferred by FRS 101 paragraph 101.8(k) that allows it not to disclose transactions with group companies.

During the year, the company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties and the total value of transactions are shown below:

	2021		2020	
	Value of transactions £	Payable at year-end £	Value of transactions £	Payable at year-end £
Kajima Partnerships Limited ("KPL"):				
Management services	99,228	-	97,468	-

KPL holds a 50% interest in the company's ultimate parent, Redwood Partnership Ventures Limited. KPL is a member of the Kajima group of companies.

23. Ultimate and immediate parent company

The company's immediate parent company is Kajima Darlington Schools Holding Limited, a company incorporated in the United Kingdom. Its ultimate parent company, and the smallest and largest group into which the company is consolidated is Redwood Partnership Ventures Limited, a company also incorporated in the United Kingdom. Copies of its financial statements are available at this company's registered office at 10 St Giles Square London WC2H 8AP.