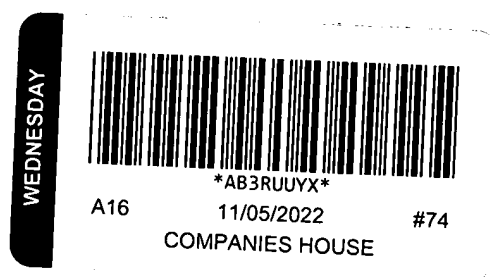


Company Registration No. 05366823 (England and Wales)

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Miss K O'Brien Mr D J Brooking Mr C James Mr G Pearce
Secretary	Vercity Social Infrastructure (UK) Limited (formally HCP Social Infrastructure (UK) Limited)
Company number	05366823
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	BDO LLP 55 Baker Street London W1U 7EU

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

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TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

On 24 May 2005, the group entered into a PFI concession contract with North Lanarkshire Council to design, build, finance and provide services within twenty-four primary and secondary schools. The concession contract, now in its operational phase, finishes on 31 March 2037.

On 8 June 2005, Transform Schools (North Lanarkshire) Funding Plc, a fellow subsidiary undertaking of Transform Schools (North Lanarkshire) Holdings Limited authorised the creation of £87,796,000 index-linked bonds and took out an index-linked loan of £70,000,000 and a subordinated loan of £17,084,000. The proceeds from both the bond issue, bank loan and subordinated debt were onward loaned to the company with identical terms for payment of interest and principal.

The principal activity of the company is that of a holding company, with investments in Transform Schools (North Lanarkshire) Limited and Transform Schools (North Lanarkshire) Funding plc.

No change in the group's principal activities is anticipated.

Principal risks and uncertainties

The group has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the group's performance. The directors have policies for managing each of these risks and they are summarised below:

Lifecycle

The principal risk borne by the group is that lifecycle costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by future estimates of lifecycle expenditure being prepared by maintenance experts on an asset by asset basis and by periodic technical evaluations of the physical condition of the facilities. In addition, actual expenditure is compared to the lifecycle forecast.

Availability

During the operational phase the principal source of funds available to meet its liabilities under the bonds will be the unitary charge received from the Council under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the group's ability to make payments to bondholders. Deductions of £9,000 (2020: £11,000) were incurred in the year and passed on to the service providers and other creditors.

Service performance

Performance risk under the Project Agreement and related contracts are substantially passed on to the service providers. The obligations of these subcontractors are underwritten by parent company guarantees. Ultimately, poor performance may result in the Council having the right to terminate the Project Agreement. As noted in the discussion of the group's KPIs, the levels of deductions levied in the year were low and are not considered to pose a risk to the project.

Service provider failure

The likelihood of this risk is assessed through the review of service provider financial statements and through discussions with the service providers. The company currently considers the likelihood of this risk as being low. However, as continuity of service delivery is of paramount importance, the company has a Business Continuity Plan which details how the company would deal with a service provider failure. This includes directly employing staff and sub-contractors until a replacement sub-contractor is in place.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Development and performance

The reduction in turnover to £11,494,000 (2020: £12,530,000) and cost of sales to £8,977,000 (2020: £10,394,000) is driven by decreased lifecycle expenditure, on which mark up is recognised and the release of the excess drainage provision. This has led to an increase in gross profit to £2,517,000 (2020: £2,136,000). The decrease in administrative expenses to £653,000 (2020: £1,519,000) is predominantly due to decrease in costs recognised in respect of defects rectification (see below) and overhead costs in the year.

Interest receivable and similar income has decreased to £9,996,000 (2020: £10,006,000) due to the reduction in bank interest receivable, see note 7.

Interest payable and similar expenses has decreased to £9,250,000 (2020: £9,517,000) mainly due to lower indexation rates chargeable on loans resulting in interest of £8,791,000 (2020: £9,050,000) and repayment of capital.

Overall profit before tax has increased to £2,610,000 (2020: £1,106,000), which has led to a higher corporation tax charge of £496,000 (2020: £210,000). Retained earnings have increased to £11,591,000 (2020: £9,477,000) due to the result and no dividends declared for the period.

At 31 December 2021 the group had net assets of £11,651,000 (2020: £9,537,000). The decrease in cash and amounts held on deposit classified as short term investments to £23,114,000 (2020: £23,684,000) is due to increased payments relating to the rectification of a drainage issue.

At 31 December 2021 the group had total borrowings of £160,379,000 (2020: £164,335,000). During the year the group has made loan repayments of £4,175,000 (2020: £3,820,000).

At 31 December 2021 the group had a provision for defects rectification of £520,000 (2020: £4,200,000). This relates to a drainage issue at one of the twenty-four schools. See note 18.

Financial covenants have been met during the year and having considered the anticipated future performance and position of the group, the directors are of the opinion that the covenants will continue to be met in the future.

The Finance Debtor is being amortised over the life of the concession and the carrying value at the reporting date is £153,325,000 (2020: £157,849,000). The directors believe the Finance Debtor to be recoverable over the term of the Project Agreement.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators

Financial penalties are levied by North Lanarkshire Council in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £9,000 (2020: £11,000) were levied by North Lanarkshire Council and passed onto the service providers. The directors consider this low level of deduction to be satisfactory.

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance. As discussed above the group's performance as at 31 December 2021 against this measure was considered satisfactory.

COVID-19 Pandemic

The risks posed by the current COVID-19 pandemic include the Council not paying the Unitary Charge, a risk of the service provider falling behind on fulfilling their contractual requirements due to staff sickness, resulting in a high level of deductions and the risk of service provider failure.

The Scottish Government released a Scottish Procurement Policy Note (SPPN 5/2020) on 26 March 2020 that stated public bodies should pay suppliers as quickly as possible to maintain cash flow and protect jobs. On 2 April 2020 a further guidance note was issued relating to PFI projects. This note stated that PFI contractors should consider themselves part of the public sector response to the COVID-19 emergency and asked that contracting authorities maintain unitary charge payments and moderate payment and performance regimes as appropriate. In addition to this, the Council have expressed that they wish to work together in the current circumstances. There has been no increase in deduction at this stage. Any deductions would however be passed down to the service providers.

The service provider is continually updating its Business Continuity Plans to demonstrate how services will be covered in the event of certain levels of staff sickness. These have been reviewed by the Board.

The Board have assessed the financial stability of the service provider and continue to assess new information. As the service provider has a large number of public sector customers, in particular schools, they are supported by the Payment Policy Note for the public sector to ensure cashflow is maintained and therefore the board consider the risk of failure to be low.

The board have considered the additional risks posed by the Covid-19 pandemic and have concluded that the group can mitigate these risks and continue to operate as a going concern for the foreseeable future.

On behalf of the board



Miss K O'Brien
Director

29 April 2022

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

On 24 May 2005, the group entered into a PFI concession contract with North Lanarkshire Council to design, build, finance and provide services within twenty-four primary and secondary schools. The concession contract finishes on 31 March 2037.

The principal activity of the company is that of a holding company, with investments in Transform Schools (North Lanarkshire) Limited and Transform Schools (North Lanarkshire) Funding plc.

No change in the group's principal activities is anticipated.

Results and dividends

The results for the year are set out on page 11.

No interim dividends were paid. (2020: nil). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Miss K O'Brien

Mr D J Brooking

Mr R Gillespie

(Resigned 15 March 2021)

Mr C James

Mr G Pearce

(Appointed 15 March 2021)

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Qualifying third party indemnity provisions

The group has ensured qualifying third party indemnity provisions have been made for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Liquidity risk

The group's liquidity risk is principally managed through financing the group by means of long-term borrowings with an amortising profile that matches the expected availability of funds from the group's operating activities.

Interest rate risk / inflation risk

The majority of borrowings are at fixed rate other than index-linking, and therefore no interest rate risk arises on them. Interest rate risk arises on the group's sub-ordinated debt which is linked to 6-month LIBOR, and its cash and short-term deposits.

The majority of the group's borrowings comprise an index-linked secured bond and an index-linked secured loan. Repayment of these loans, and meeting operational expenditure commitments, will be made from income which is itself subject to indexation. The group thereby mitigates substantially all exposure to movements in the retail price index.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Credit risk

The group's credit risk is primarily attributable to its trade debtors, other debtors and the Finance Debtor, each of which arise from its sole client, North Lanarkshire Council. The credit and cash-flow risks are not considered significant since there are no indications that the Council will not be able to fulfil its obligations. In addition the obligations of North Lanarkshire Council are underwritten by the Secretary of State for Education.

For cash and short-term deposits, only independently rated counterparties with a minimum medium-term senior debt rating of at least AA from Standard & Poors and Aa2 from Moody's are accepted.

Should the ratings of existing counterparties fall below these levels, the group and its senior lenders each have the right to require that an acceptable replacement counterparty be appointed.

Contractual relationships

The group operates within a contractual relationship with its primary client, North Lanarkshire Council and its principal subcontractor Engie Services Limited. Failure to perform obligations under this contract could have a direct and detrimental effect on the company's result and could result in termination of the concession. To manage this risk the group has regular meetings with North Lanarkshire Council and Engie Services Limited including discussions on performance, project progress, future plans and customer requirements. In addition the performance of Engie Services Limited is supported contractually by a parent company guarantee.

Future developments

The directors are not aware, at the date of this report, of any major changes in the group's activities in the next year.

Auditor

The auditor, BDO LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

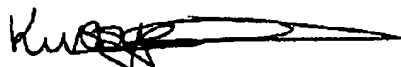
Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the group is aware of that information.

On behalf of the board



Miss K O'Brien
Director

29 April 2022

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

Opinion on the financial statements

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 2021 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Transform Schools (North Lanarkshire) Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheet, The Group and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Group's and Parent 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.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the 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.

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 Group's and the 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 the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

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.

Extent to which the audit was 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 obtained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates. We considered the significant laws and regulations to be Companies Act 2006 and the applicable accounting standards.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Group's assets.

Audit procedures performed by the engagement team included:

- We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We challenged assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs;
- We performed substantive testing on account balances and transactions, which were considered to be a greater risk of susceptibility to fraud;
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, as well as a focus on large and unusual transactions based upon our knowledge of the business;
- We made enquiries of Management, those charged with governance and those responsible for legal and compliance procedures as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Laura Pingree

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Laura Pingree (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

29 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	11,494	12,530
Cost of sales		(8,977)	(10,394)
Gross profit		2,517	2,136
Administrative expenses		(653)	(1,519)
Operating profit		1,864	617
Interest receivable and similar income	7	9,996	10,006
Interest payable and similar expenses	8	(9,250)	(9,517)
Profit before taxation		2,610	1,106
Tax on profit	9	(496)	(278)
Profit for the financial year		2,114	828

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	£'000	2020 £'000	£'000
Current assets					
Debtors falling due after more than one year	13	151,828		153,359	
Debtors falling due within one year	13	4,644		7,430	
Investments	14	10,700		-	
Cash at bank and in hand		12,414		23,684	
		<u>179,586</u>		<u>184,473</u>	
Creditors: amounts falling due within one year	15	<u>(15,455)</u>		<u>(14,610)</u>	
Net current assets			164,131		169,863
Creditors: amounts falling due after more than one year	16		(151,960)		(156,126)
Provisions for liabilities					
Provisions	18	<u>520</u>	(520)	<u>4,200</u>	(4,200)
Net assets			<u>11,651</u>		<u>9,537</u>
Capital and reserves					
Called up share capital	19		60		60
Profit and loss account			11,591		9,477
Total shareholders' funds			<u>11,651</u>		<u>9,537</u>

The financial statements were approved by the board of directors and authorised for issue on 29 April 2022 and are signed on its behalf by:



Miss K O'Brien
Director

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

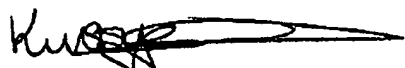
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	10	60	60
		<u>60</u>	<u>60</u>
Capital and reserves			
Called up share capital	19	60	60
		<u>60</u>	<u>60</u>
Total shareholders' funds		<u>60</u>	<u>60</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £Nil (2020: £Nil).

The financial statements were approved by the board of directors and authorised for issue on 29 April 2022 and are signed on its behalf by:



Miss K O'Brien
Director

Company Registration No. 05366823

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss account	Total
	£'000	£'000	£'000
Balance at 1 January 2020	60	8,649	8,709
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	828	828
Balance at 31 December 2020	60	9,477	9,537
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	2,114	2,114
Balance at 31 December 2021	60	11,591	11,651

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000
Balance at 1 January 2020	60
	<hr/>
Year ended 31 December 2020:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 December 2020	60
	<hr/>
Year ended 31 December 2021:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 December 2021	60
	<hr/> <hr/>

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities				
Cash generated from operations	22	3,100	7,492	
Income taxes paid		(39)	(413)	
Net cash inflow from operating activities		<u>3,061</u>	<u>7,079</u>	
Investing activities				
Interest received		9,996	10,006	
Net movement in amounts on short term deposit		(10,700)	-	
Net cash (used in)/generated from investing activities		<u>(704)</u>	<u>10,006</u>	
Financing activities				
Interest paid		(9,452)	(7,747)	
Repayment of loans		(4,175)	(3,820)	
Net cash used in financing activities		<u>(13,627)</u>	<u>(11,567)</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(11,270)</u>	<u>5,518</u>	
Cash and cash equivalents at beginning of year		23,684	18,166	
Cash and cash equivalents at end of year		<u><u>12,414</u></u>	<u><u>23,684</u></u>	

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Transform Schools (North Lanarkshire) Holdings Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The group consists of Transform Schools (North Lanarkshire) Holdings Limited and its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company and group. Monetary amounts in these financial statements are rounded to the nearest £'000.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £Nil (2020: £Nil).

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2021. The subsidiaries have a year end of 31 December 2021.

1.3 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 at least 12 months from the date of approval of the financial statements which indicate that the group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement and the directors expect these amounts to be received even in severe but plausible downside scenarios. The group continues to provide the assets in accordance with the contract and are available to be used. As a result the group does not believe there is any likelihood of a material impact to the unitary payment. The directors have considered the potential impact of the emergence and spread of COVID-19, which includes the group's operating cash inflows which are largely dependent on the unitary charge payments. Throughout the pandemic and to date, all unitary charge payments have been received on time and in full and the directors expect this to continue.

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

Consequently, the directors at the time of approving the financial statements have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

1.5 Fixed asset investments

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Fixed asset investments are held at cost less any provision for impairment.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash balances held in current accounts and deposit accounts that mature within 3 months.

Short term deposits comprise of deposits with a maturity of more than 3 months and are disclosed as a current asset investment.

Cash at bank and current asset investments includes £13,205,000 (2020: £12,431,000) restricted from use in the business, being held in the group's reserve accounts in accordance with the requirements of the project Collateral Deed.

1.7 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Loans and receivables

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs.

Trade and other creditors are recognised initially at transaction price less 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 instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Index-linked bonds and index-linked loans are initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period. The index-linked secured bonds and index-linked secured term loan are each carried at amortised cost, using the effective interest rate method, taking account of projected indexation across the term of the liability. This is mirrored in the Transform Schools (North Lanarkshire) Limited financial statements.

Subordinated loans are initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.8 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.9 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.10 Service Concession Accounting

The company is an operator of a Public Finance Initiative ("PFI") Contract. The company entered into a project agreement (the "Contract") with North Lanarkshire Council (the "Council") to design, build, finance, operate and maintain 24 school sites. Under the contract, the company has contracted to provide hard and soft facilities management services to the Council. The company has passed these obligations down to Engie Services Limited via subcontracts. The obligation to provide major maintenance works (lifecycle) is retained by the company. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the company, further information is shown in note 2. The Contract does not entitle the Council to any share of the profits of the company. The Council is entitled to terminate the Contract at anytime by giving 3 months written notice. If the Council exercise this right it is liable to pay the company compensation as set out in the Contract, which would include the senior debt, redundancy costs and other sub-contractor losses and the market value of the subordinated debt.

As the company entered into the Contract prior to the date of transition to FRS102, the company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Council.

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 the Council pay Project Co. a fixed Unitary Charge payment, as determined in the Contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. This interest rate is inflated in line with the inflation on the Bond. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The company recognises revenue in respect of the services provided, including lifecycle services, the costs of which are recognised as incurred, 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.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of 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.

Critical judgements

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the group's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, actual expenditure is compared to the lifecycle forecast. If lifecycle costs cumulatively over the remainder of concession increase by 5% the impact on profit in the year would be a decrease of £50,000.

Provisions for liabilities

The directors use their judgement when determining the appropriate level of the group's liability to repair the defects. The value of the provision is based on an estimation of future costs prepared by building experts.

Due to the involvement of the relevant building experts the directors believe the level of estimation uncertainty is low. However, should actual costs exceed the provision, the directors believe that the group has adequate resources to fund these costs, taking appropriate mitigating action where necessary.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover

An analysis of the group's turnover is as follows:

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Service Revenue	9,347	10,530
Pass-through Revenue	2,147	2,000
	<u>11,494</u>	<u>12,530</u>

	2021 £'000	2020 £'000
Turnover analysed by geographical market		
United Kingdom	<u>11,494</u>	<u>12,530</u>

4 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	<u>33</u>	<u>31</u>
For other services		
Audit-related assurance services	<u>3</u>	<u>3</u>

The audit remuneration in relation to the Company of £1,000 was borne by Transform Schools (North Lanarkshire) Limited.

5 Employees

The group had no employees during the year (2020: nil).

6 Directors' remuneration

	2021 £'000	2020 £'000
Sums paid to related parties for directors' services	<u>31</u>	<u>37</u>

No directors received any remuneration for services to the group during the year (2020: nil).

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	3	46
Interest receivable on finance debtor	9,993	9,960
	<u>9,996</u>	<u>10,006</u>

8 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank loans	2,973	3,120
Interest on bonds	4,226	4,348
Other finance charges	240	248
Interest on subordinated loans	1,592	1,582
Amortisation of finance arrangement costs	219	219
	<u>9,250</u>	<u>9,517</u>

9 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	496	278
	<u>496</u>	<u>278</u>

For the year ended 31 December 2021, the UK corporation tax rate of 19% is applied.

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate to from 19% to 25% with effect from 1 April 2023. The change in tax rate has had no impact on the company.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £'000	2020 £'000
Profit before taxation	<u>2,610</u>	<u>1,106</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	496	210
Adjustments in respect of prior years	-	68
Taxation charge	<u>496</u>	<u>278</u>

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Fixed asset investments

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Investments in subsidiaries	11	-	-	60	60

Movements in fixed asset investments Company

	Shares in subsidiaries £'000
Cost	
At 1 January 2021 and 31 December 2021	60
Carrying amount	
At 31 December 2021	60
At 31 December 2020	60

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Transform Schools (North Lanarkshire) Funding Plc	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Ordinary	99.99
Transform Schools (North Lanarkshire) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Ordinary	100.00

12 Financial instruments

The group's financial instruments include borrowings. The main purpose of these financial instruments is to raise finance for the Transform Schools (North Lanarkshire) group operations. The group has not entered into derivative transactions. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments be undertaken. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Credit risk

The group's principal financial assets are cash and short-term deposits, trade and other receivables and the Finance debtor. The group's credit risk is primarily attributable to its trade and other receivables and the Finance debtor. With the exception of relatively small trade receivables for activities ancillary to the PFI contracts recharged to other parties, the receivables arise from the group's client, North Lanarkshire Council. The credit and cash flow risks are not considered significant as the obligations are underwritten by the Secretary of State for Education.

For cash and short-term deposits, only independently rated counterparties with a minimum medium-term senior debt rating of at least AA from Standard & Poor's and Aa2 from Moody's are accepted.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Financial instruments

(Continued)

Capital risk management

The group manages its capital to ensure its ability to continue as a going concern. The capital structure of the group mainly comprises equity attributable to equity holders of Transform Schools (North Lanarkshire) Holdings Limited consisting of issued ordinary share capital, reserves and retained earnings as disclosed in Notes 19, subordinated loan stock as disclosed in Notes 17 and 20, cash at bank and in hand, and borrowings as discussed in Note 17.

The group maintains or adjusts its capital structure through incurring new subordinated debt or repaying existing borrowings.

Interest and Inflation risk

All borrowings are index linked and fixed rate. In addition, the unitary charge is index linked thus mitigating this risk. Interest rate risk arises on the group's cash and short term deposits.

The majority of the group's borrowings comprise an index linked secured bond and an index linked secured loan. Repayment of these loans, and meeting operational expenditure commitments, will be made from income which is itself subject to indexation. The group hereby mitigates any exposure to movements in the retail price index.

Liquidity risk

The group's liquidity risk is principally managed through financing the group by means of long term borrowings with an amortising profile that matches the expected availability of funds from the group's operating activities.

13 Debtors

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Amounts falling due within one year:				
Trade debtors	2,743	2,538	-	-
Corporation tax recoverable	-	76	-	-
Finance debtor	1,497	4,490	-	-
Prepayments and accrued income	404	326	-	-
	<u>4,644</u>	<u>7,430</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
Finance debtor	<u>151,828</u>	<u>153,359</u>	<u>-</u>	<u>-</u>
Total debtors	<u>156,472</u>	<u>160,789</u>	<u>-</u>	<u>-</u>

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14 Current asset investments

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Short term deposits	10,700	-	-	-

Current asset investments represents cash placed on deposit for a period of no longer than six months. Included within current asset investments is an amount of £10,700,000 (2020: £Nil) which is restricted from use in the business, being held in the company's reserve accounts.

15 Creditors: amounts falling due within one year

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	17	4,307	4,183	-	-
Bonds		4,112	4,026	-	-
Trade creditors		1,135	816	-	-
Amounts due to parent undertaking		355	355	-	-
Corporation tax payable		382	-	-	-
Other taxation and social security		481	435	-	-
Accruals and deferred income		4,683	4,795	-	-
		15,455	14,610	-	-

16 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	17	57,535	59,998	-	-
Bonds	17	77,341	79,044	-	-
Subordinated loans		17,084	17,084	-	-
		151,960	156,126	-	-

Amounts included above which fall due after five years are as follows:

	Group 2021	2020	Company 2021	2020
Payable by instalments	111,467	117,555	-	-

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Loans and overdrafts

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	61,842	64,181	-	-
Bonds	81,453	38,070	-	-
Subordinated Loans	17,084	17,084	-	-
	<u>160,379</u>	<u>164,335</u>	<u>-</u>	<u>-</u>
Payable within one year	8,419	8,209	-	-
Payable after one year	151,960	156,126	-	-
	<u>160,379</u>	<u>164,335</u>	<u>-</u>	<u>-</u>
Amounts included above which fall due after five years:				
Payable by instalments	<u>94,383</u>	<u>100,472</u>	<u>-</u>	<u>-</u>

Borrowings represent amounts owing by Transform Schools (North Lanarkshire) Funding plc, which is made up of the proceeds of £87,796,000 index linked secured bonds, a £70,000,000 index linked loan from European Investment Bank and £17,084,000 of subordinated loan stock. The balance is stated after the deduction of amortised issue costs.

The index-linked secured bonds, which are due for payment in 2036 of £87,796,000 were created on 8 June 2005, of which £72,796,000 were issued and sold in 2005, followed by £6,211,050 (nominal value £5,850,000) of variation bonds in 2006 and a further £9,726,084 (nominal value £9,150,000) of variation bonds in 2007.

Interest on the bonds is payable semi-annually at a rate of 2.343% plus RPI indexation, commencing on 30 September 2005. Unless previously redeemed or purchased and cancelled, the bonds will mature on 31 March 2036. The principal amount outstanding of the bonds is adjusted semi-annually for RPI indexation. The indexation ratio is calculated as the RPI for the month, eight months prior to the payment date compared against the same month in the preceding year.

The index-linked bank secured term loan is from the European Investment Bank with repayments commencing March 2009 and semi-annually thereafter until September 2034. The loan bears interest at a rate of 1.95% plus RPI indexation. The bank loan has certain covenants attached. The capital amount outstanding of the loan is adjusted semi-annually for RPI indexation. The indexation ratio is calculated as the RPI for the month, eight months prior to the payment date compared against the same month in the preceding year.

The secured subordinated loan stock has been subscribed by Transform Schools (North Lanarkshire) Funding plc. The loan stock bears interest at a rate of 7.55% above the 6-month LIBOR, and is repayable in instalments between 2009 and 2033. It is secured by second fixed and floating charges over the undertaking, property, assets and rights of the company.

The borrowings are secured by a fixed and floating charge over the whole of the company's undertaking and assets.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

18 Provisions for liabilities

Group	2021	2020	Company	2021	2020
	£'000	£'000		£'000	£'000
	520	4,200		-	-

In 2018 the company entered into a legal dispute with its building contractor, Balfour Beatty Construction Limited, in respect of the liability for drainage defects identified by surveys undertaken by experts at one of the primary schools within the estate. The provision as at 31 December 2021 represents management's best estimate in relation to the cost of the required drainage rectification works.

A total of £4,038,000 has been recovered from Balfour Beatty Construction Limited towards the cost of rectification.

The provision is expected to be utilised over the period to 31 March 2022.

Movements on provisions:

Group	£'000
At 1 January 2021	4,200
Utilisation of provision	(2,778)
Release of provision	(902)
At 31 December 2021	520

19 Share capital

	2021	2020	2021	2020
	Number	Number	£'000	£'000
Ordinary share capital				
Authorised				
Ordinary 'A' of £1 each	30,000	30,000	30	30
Ordinary 'B' of £1 each	30,000	30,000	30	30
	60,000	60,000	60	60
Issued and fully paid				
Ordinary 'A' of £1 each	30,000	30,000	30	30
Ordinary 'B' of £1 each	30,000	30,000	30	30
	60,000	60,000	60	60

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.

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Related party transactions

At 31 December 2021, the subordinated loan stock totalled £17,084,000, divided between Equitix Education 2 Limited, £8,542,000 (2020: £8,542,000) and Innisfree Nominees Limited £8,542,000 (2020: £8,542,000) split between Innisfree PFI Secondary Fund LP (ISF) and Innisfree PFI Secondary Fund 2 LP (ISF2) in the ratio 16% to 34% respectively.

Subordinated debt interest accrued at 31 December 2021 totalled £3,053,000 (2020: £3,462,000), divided between Equitix Education 2 Limited for £1,526,500 and Innisfree Nominees Limited for £1,526,500 split between ISF and ISF2 in the ratio noted above.

Amounts payable by the company's subsidiary to Equitix Education 2 Limited for the services of the directors of group companies during the year totalled £16,000 (2020: £15,000), of which £8,000 (2020: £8,000) was outstanding at the year end which is included within the Trade Creditors balance.

Amounts payable by the company's subsidiary to Innisfree Limited for the services of the directors of group companies during the year totalled £16,000 (2020: £21,000), of which £nil (2020: £nil) was outstanding at the year end which is included within the Trade Creditors balance.

During the year, the company's subsidiary paid management fees amounting to £131,000 (2020: £155,000) to Vercity Social Infrastructure (UK) Limited under a management services agreement. Vercity is beneficially owned by Innisfree M&G PPP LP and is therefore a related party to Innisfree Limited, which is a nominee shareholder of the Transform Schools (North Lanarkshire) Group.

21 Controlling party

The ultimate parent undertakings of Transform Schools (North Lanarkshire) Holdings Ltd (registered office 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG) are Equitix Education 2 (registered office 10-11 Charterhouse Square, London, EC1M 6EH) with a 50% holding and two limited partnerships, Innisfree PFI Secondary Fund (registered office 1st Floor Boundary House 91-93, Charterhouse Street, London, EC1M 6HR) with a 16% holding and Innisfree PFI Secondary Fund 2 LP (registered office 1st Floor Boundary House 91-93, Charterhouse Street, London, EC1M 6HR) with a 34% holding, managed by Innisfree Limited (registered office 1st Floor Boundary House 91-93, Charterhouse Street, London, EC1M 6HR). The company has no ultimate controlling party.

22 Cash generated from group operations

	2021 £'000	2020 £'000
Profit for the year after tax	2,114	828
Adjustments for:		
Taxation charged	496	278
Finance costs	9,250	9,517
Investment income	(9,996)	(10,006)
Decrease in provisions	(3,680)	(510)
Movements in working capital:		
Decrease in debtors	4,242	7,059
Increase in creditors	674	326
Cash generated from operations	3,100	7,492

TRANSFORM SCHOOLS (NORTH LANARKSHIRE) HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

23 Analysis of changes in net debt - group

	1 January 2021 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2021 £'000
Cash at bank and in hand	23,684	(11,270)	-	12,414
Borrowings excluding overdrafts	(164,335)	4,175	(219)	(160,379)
	<u>(140,651)</u>	<u>(7,095)</u>	<u>(219)</u>	<u>(147,965)</u>