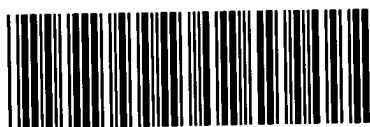


Company registration number 05847755 (England and Wales)

**SALFORD SCHOOLS SOLUTIONS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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# SALFORD SCHOOLS SOLUTIONS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Paul Gill Hannah Holman John George David Davies	(Appointed 30 June 2023)
<b>Secretary</b>	Emma Clarke	
<b>Company number</b>	05847755	
<b>Registered office</b>	Third Floor, Suite 6c Sevendale House 5-7 Dale Street Manchester M1 1JB	
<b>Auditor</b>	RSM UK Audit Third Floor Priory Place New London Road Chelmsford Essex CM2 0PP	

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# **SALFORD SCHOOLS SOLUTIONS LIMITED**

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# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2022***

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The directors present their annual report and financial statements of Salford Schools Solutions Limited for the year ended 31 December 2022.

#### **Principal activities**

The Company's principal activity is the operation and management of two secondary schools under a Government Private Finance Initiative ("PFI") project with Salford City Council (the "Authority").

The construction of Buile Hill Visual Arts College and The Lowry Academy (formerly known as Harrop Fold School) was completed in August 2008 and both schools were handed over on 1 September 2008. The contract has now completed 14 years of the 25 year service delivery period which lasts until 31 August 2033.

#### **Directors**

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

Paul Gill

Hannah Holman

Sally-ann Brooks

(Resigned 30 June 2023)

John George

David Davies

(Appointed 30 June 2023)

#### **Qualifying third party indemnity provisions**

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

#### **Financial instruments**

During the period the floating interest rates in all agreements with the Senior Lender and SWAP provider were transitioned from LIBOR to SONIA. The SONIA rate is, and will be, determined five business days before the end of each calendar month. The transition was completed by 30th June 2022 and SONIA was used in the calculation of the Senior Loan and SWAP payments for the subsequent quarter. The interest rate SWAP that is in place remains 100% effective.

#### **Auditor**

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

#### **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 company's auditor 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 company's auditor is aware of that information.

#### **Small companies exemption**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

On behalf of the board



.....  
Hannah Holman  
**Director**

Date: 17/07/23 .....

# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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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 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;
- 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.

# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF SALFORD SCHOOLS SOLUTIONS LIMITED**

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#### **Opinion**

We have audited the financial statements of Salford Schools Solutions Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor'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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

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

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SALFORD SCHOOLS SOLUTIONS LIMITED**

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#### **Matters on which we are required to report by exception**

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

**The extent to which our procedures are capable of detecting irregularities, including fraud**  
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.



# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SALFORD SCHOOLS SOLUTIONS LIMITED**

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In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

We have not identified any indirect laws and regulations that are significant to the company's operations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied across the financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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 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.

*N. C. Cattini*

**For and on behalf of RSM UK Audit**

Date: 17/07/23

**Chartered Accountants  
Statutory Auditor**

Third Floor  
Priory Place  
New London Road  
Chelmsford  
Essex  
CM2 0PP

# SALFORD SCHOOLS SOLUTIONS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover		3,823,606	3,582,464
Cost of sales		(3,051,828)	(2,991,817)
<b>Gross profit</b>		<b>771,778</b>	<b>590,647</b>
Administrative expenses		(412,298)	(250,105)
<b>Operating profit</b>		<b>359,480</b>	<b>340,542</b>
Interest receivable and similar income		1,484,184	1,566,513
Interest payable and similar expenses		(1,325,997)	(1,392,092)
<b>Profit before taxation</b>		<b>517,667</b>	<b>514,963</b>
Tax on profit	4	(98,357)	(97,843)
<b>Profit for the financial year</b>		<b>419,310</b>	<b>417,120</b>
<b>Other comprehensive income net of taxation</b>			
Cash flow hedges gain arising in the year		3,931,511	2,279,065
Tax relating to other comprehensive income		(982,878)	(153,142)
<b>Total comprehensive income for the year</b>		<b>3,367,943</b>	<b>2,543,043</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# SALFORD SCHOOLS SOLUTIONS LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Current assets</b>					
Debtors	6	23,653,546		26,124,247	
Cash at bank and in hand		4,402,827		3,459,888	
		<u>28,056,373</u>		<u>29,584,135</u>	
<b>Creditors: amounts falling due within one year</b>	7	<u>(7,276,729)</u>		<u>(6,563,247)</u>	
<b>Net current assets</b>		20,779,644		23,020,888	
<b>Creditors: amounts falling due after more than one year</b>	8	(19,704,387)		(25,157,727)	
<b>Provisions for liabilities</b>	10	<u>(1,097,132)</u>		<u>(1,121,979)</u>	
<b>Net liabilities</b>		<u>(21,875)</u>		<u>(3,258,818)</u>	
<b>Capital and reserves</b>					
Called up share capital		40,000		40,000	
Hedging reserve		(549,871)		(3,498,504)	
Profit and loss reserves		<u>487,996</u>		<u>199,686</u>	
<b>Total equity</b>		<u>(21,875)</u>		<u>(3,258,818)</u>	

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

The financial statements were approved by the board of directors and authorised for issue on 17/07/23 and are signed on its behalf by:



Hannah Holman  
Director

Company Registration No. 05847755

# SALFORD SCHOOLS SOLUTIONS LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Hedging reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2021</b>		40,000	(5,624,427)	290,831	(5,293,596)
<b>Year ended 31 December 2021:</b>					
Profit for the year		-	-	417,120	417,120
Other comprehensive income net of taxation:					
Cash flow hedges gains		-	2,279,065	-	2,279,065
Tax relating to other comprehensive income		-	(153,142)	-	(153,142)
Total comprehensive income for the year		-	2,125,923	417,120	2,543,043
Dividends		-	-	(508,265)	(508,265)
<b>Balance at 31 December 2021</b>		40,000	(3,498,504)	199,686	(3,258,818)
<b>Year ended 31 December 2022:</b>					
Profit for the year		-	-	419,310	419,310
Other comprehensive income net of taxation:					
Cash flow hedges gains		-	3,931,511	-	3,931,511
Tax relating to other comprehensive income		-	(982,878)	-	(982,878)
Total comprehensive income for the year		-	2,948,633	419,310	3,367,943
Dividends		-	-	(131,000)	(131,000)
<b>Balance at 31 December 2022</b>		40,000	(549,871)	487,996	(21,875)

# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **1 Accounting policies**

#### **Company information**

Salford Schools Solutions Limited is a private company limited by shares incorporated in England and Wales. The registered office is Third Floor, Suite 6c, Sevensdale House, 5-7 Dale Street, Manchester, M1 1JB.

#### **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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The following exemptions have been taken in these financial statements:

- Service concession arrangements The Company entered into its service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The Company parent undertaking, Salford Schools Solutions Holdco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Salford Schools Solutions Holdco Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from the parents registered address, 3rd Floor, Suite 6C, Sevensdale House, 5-7 Dale Street, Manchester, United Kingdom, M1 1JB. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Key Management Personnel compensation.  
As the consolidated financial statements of Salford Schools Solutions Holdco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies

(Continued)

##### 1.2 Going concern

In light of the net liabilities of £21,875 (2021: £3,258,818), primarily caused by the fair value liability of the interest rate swap contract, the directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to August 2033. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis. Furthermore, excluding the impact of the interest rate swap, the Company shows a net asset position.

The Directors have prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements, through to 31 July 2024 which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Education.

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

The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

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

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

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

---

### 1 Accounting policies

(Continued)

#### 1.4 Cash and cash equivalents

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

#### 1.5 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

#### **Impairment of financial assets**

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

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

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

#### **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 company after deducting all of its liabilities.

# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

---

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

#### **1.6 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### **1.7 Derivatives**

The company has entered into an interest rate SWAP contract in order to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end 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.

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.

#### **1.8 Hedge accounting**

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or 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 risk management objectives and strategy for undertaking various hedge transactions. 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

#### **1.9 Taxation**

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



# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

---

### 1 Accounting policies

(Continued)

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.10 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company 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.

# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2 Judgements and key sources of estimation uncertainty

In the application of the company'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.

##### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### **Critical accounting judgements**

Certain critical accounting judgements in applying the Company's accounting policies are described below: Accounting for the service concession contract and finance debtors requires an estimation of service margins, and associated amortisation profile which is based on forecasted results of the PFI contract.

The Company makes judgements on the recoverability of the finance debtor, based on the receipt of the unitary fee in accordance with the contractual payment mechanisms contained in the project agreement.

The Company uses derivative finance instruments to hedge certain economic exposures in relation to movements in interest rates as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Company fair values its derivative financial instruments and records the fair value of those on its balance sheet. The fair values are based on counterparty information that is independent of the Company, but use observable market data in respect of interest rates as an input to valuing those derivative financial instruments.

#### 3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	-	-

#### 4 Taxation

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	98,357	97,843

# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 4 Taxation

(Continued)

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:

	2022 £	2021 £
Profit before taxation	517,667	514,963
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	98,357	97,843
Taxation charge in the financial statements	98,357	97,843

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £	2021 £
Deferred tax arising on: Revaluation of financial instruments treated as cash flow hedges	982,878	153,142

### 5 Financial instruments

	2022 £	2021 £
<b>Carrying amount of financial liabilities</b>		
Measured at fair value through profit or loss		
- Other financial liabilities	733,161	4,664,672

#### Hedging arrangements

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The Company has entered into an interest rate swap agreement under the bank loan which expires in December 2032. A fixed rate of 4.74% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to SONIA to the fixed rate above.

# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 6 Debtors

	2022	2021
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	1	-
Corporation tax recoverable	183,290	1,166,168
Other debtors	1,656,721	1,549,152
	<u>1,840,012</u>	<u>2,715,320</u>
<b>Amounts falling due after more than one year:</b>		
Other debtors	<u>21,813,534</u>	<u>23,408,927</u>
<b>Total debtors</b>	<u>23,653,546</u>	<u>26,124,247</u>

### 7 Creditors: amounts falling due within one year

	2022	2021
	£	£
Bank loans	1,484,023	1,372,321
Trade creditors	198,307	221,580
Corporation tax	241,903	97,884
Other taxation and social security	234,039	121,495
Other creditors	5,118,457	4,749,967
	<u>7,276,729</u>	<u>6,563,247</u>

### 8 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Bank loans and overdrafts	17,668,421	19,163,526
Other creditors	2,035,966	5,994,201
	<u>19,704,387</u>	<u>25,157,727</u>

# SALFORD SCHOOLS SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 9 Loans and overdrafts

	2022 £	2021 £
Bank loans	19,152,444	20,535,847
Loans from group undertakings and related parties	1,357,408	1,382,019
	<u>20,509,852</u>	<u>21,917,866</u>
Payable within one year	1,538,626	1,424,811
Payable after one year	<u>18,971,226</u>	<u>20,493,055</u>

The long-term loans are secured by fixed charges and floating charges over the assets of the Company.

Bank borrowings relate to a Senior Debt Facility.

The amounts drawn under the Senior Debt Facility are repayable on an agreed repayment profile of quarterly instalments that commenced on 01 October 2008 and are due to end on 31 December 2032. Interest charges on amounts drawn are based on a Fixed rate of 0.75% plus a floating SONIA.

The Company has entered into an interest rate swap agreement whereby it pays a fixed rate of 4.74% per annum, and receiving SONIA (though cash flows are settled on a net basis), in respect of amounts drawn under the Senior Debt Facility. The Company paid interest of £907k (2021: £1,186k) in relation to these agreements. The swap expires in December 2032.

Issue costs of the debt have been offset against the bank loans and will be amortised over the duration of the facilities.

The loan notes carry a coupon of 12.80% and are repayable in pre-determined quarterly instalments that commenced on 19 August 2009 and are due to end on 30 September 2033.

### 10 Provisions for liabilities

	2022 £	2021 £
	<u>1,097,132</u>	<u>1,121,979</u>
Movements on provisions:		
		£
At 1 January 2022		1,121,979
Additional provisions in the year		705,183
Utilisation of provision		<u>(730,030)</u>
At 31 December 2022		<u>1,097,132</u>

# **SALFORD SCHOOLS SOLUTIONS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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### **11 Parent company**

The company is a wholly owned subsidiary of Salford Schools Solutions Holdco Limited, a Company that is incorporated in the United Kingdom and registered in England and Wales.

Salford Schools Solutions Holdco Limited is the smallest and largest group in which the results are consolidated.

The directors consider there to be no ultimate controlling party.