

**Directors' Report and**  
**Audited Financial Statements for the Year Ended 31 December 2020**  
**for**  
**Lancashire Schools SPC Holdings Phase 1**  
**Ltd**

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**Lancashire Schools SPC Holdings Phase 1  
Ltd (Registered number: 05973319)**

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for the Year Ended 31 December 2020**

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**Lancashire Schools SPC Holdings Phase 1  
Ltd**

**Company Information  
for the Year Ended 31 December 2020**

<b>Directors:</b>	M Donn S P Fraser C T Solley D C Ward M J Williams B P Millsom
<b>Secretary:</b>	A Mitchell
<b>Registered office:</b>	C/O Albany SPC Services Ltd 3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
<b>Registered number:</b>	05973319 (England and Wales)
<b>Independent auditors:</b>	PricewaterhouseCoopers LLP Manchester Hardman Sq 1 Hardman Square Manchester M3 3EB
<b>Bankers:</b>	Bank of Scotland 11 Earl Grey Street Edinburgh EH3 9BN
<b>Solicitors:</b>	DLA Piper LLP 1 St Peter's Square Manchester M2 3DE

**Directors' Report  
for the Year Ended 31 December 2020**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2020.

**Principal activities**

The company's principal activity is to act as a holding company for the investment in its subsidiary undertaking.

**Results**

The profit for the year was £140,000 (2019: £373,000).

**Dividends**

The total distribution of dividends for the year ended 31 December 2020 was £140,000 (2019: £373,000).

**Future developments**

At the date of this report, the directors do not anticipate any future developments outside of the project agreement.

**Directors**

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

M Donn  
S P Fraser  
C T Solley

Other changes in directors holding office are as follows:

D C Ward - appointed 14 August 2020  
K Flaherty - resigned 18 November 2020  
J Uppal - resigned 14 August 2020

M J Williams and B P Millsom were appointed as directors after 31 December 2020 but prior to the date of this report.

J Potgieter and L W McKenna ceased to be directors after 31 December 2020 but prior to the date of this report.

**Directors indemnity insurance**

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

**Financial risk management**

**Interest rate risk**

The Company's subsidiary term loan is exposed to interest rate risk. The Company's subsidiary has entered into a fixed interest rate swap to avoid volatility on debt service costs on its floating rate debt. The unsecured loan stock is not exposed to interest rate risk.

**Liquidity risk**

The Company's subsidiary latest financial forecasts show that unitary payment receivable under the Concession Agreement will be sufficient to repay all future debt payments as they fall due.

**Credit risk**

The Company's subsidiary receives the majority of its income from the Council and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

**Directors' Report  
for the Year Ended 31 December 2020**

**Key performance indicators**

The company is a holding company and therefore does not have any key performance indicators. The subsidiary company's key indicators of performance revolve around the level of performance and availability deductions arising from failures to achieve specified levels of contract service. These are reported quarterly to the board. Another key indicator for the subsidiary is the ratio of operating cash flow to the senior debt service amount. This ratio is tested at six monthly intervals and so far has been to the satisfaction of the senior debt provider.

**Going concern**

The Company exists to hold investments in subsidiary entities providing services under certain private finance agreements. The subsidiaries are set up as Special Purpose Companies under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiaries, the exposure is limited to the extent of the investments it has made.

However, on 26 August 2020, the Group issued a legal claim relating to building defects against the Building Contractor ahead of the expiry of the limitation period under the Building Contract. At the date of signing this report the claim is in its early stages and so the total related costs to the Group and the outcome of the claim are not yet known. The latest financial model forecasts an estimate of the costs to which the Group is currently committed and shows that the Group can continue to meet its debts as they fall due though occurred an Event of Default in respect of the Senior Debt Service Cover Ratio ("SDSCR") covenant at March 2021 and is forecast at September 2021. As a result, the Senior Lender may seek to accelerate payment of the senior debt, indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are in regular and continuing discussions with the Lenders who are aware of the situation and are supportive of the claim. The Directors are not aware of any indication that the Lender intends to call in the balances owed to them in the event of a default SDSCR.

Having reviewed the Group's investment portfolio including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Group will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

In addition to the above consideration regarding the Group's SDSCR covenant, the Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2033. The Group has long-term contracts with the Council. As a consequence, the directors believe that the Group is well placed to manage its remaining business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Group in responding to COVID-19 has been assessed as low. This is because the Group is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management Group are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the Covid-19 outbreak, the Council have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

**Strategic report**

The Group has taken advantage of the exemption under section 414B of the Companies Act 2006 not to present a Strategic Report.

**Directors' responsibilities statement**

The directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law and regulation.

**Directors' Report  
for the Year Ended 31 December 2020**

**Directors' responsibilities statement - continued**

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

-select suitable accounting policies and then apply them consistently;

-state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

-make judgements and accounting estimates that are reasonable and prudent; and

-prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.


**Statement as to disclosure of information to auditors**

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

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**On behalf of the board:**



M Donn  
Director

Date: 8 July 2021

# Independent auditors' report to the members of Lancashire Schools SPC Holdings Phase 1 Ltd

## Report on the audit of the financial statements

### Opinion

In our opinion, Lancashire Schools SPC Holdings Phase 1 Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Audited Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

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

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.

### **Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment law, UK tax legislation and Health and Safety laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and deter irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, impacting revenue and distributable reserves.



There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

9 July 2021

**Lancashire Schools SPC Holdings Phase 1  
Ltd (Registered number: 05973319)**

**Statement of Comprehensive Income  
for the Year Ended 31 December 2020**

	Notes	2020 £'000	2019 £'000
<b>Turnover</b>		-	-
<b>Operating profit</b>	4	-	-
Income from shares in group undertakings		140	373
Other interest receivable and similar income	5	665	658
Interest payable and similar expenses	6	(665)	(658)
<b>Profit before taxation</b>		140	373
Tax on profit	7	-	-
<b>Profit for the financial year</b>		140	373

The notes on pages 11 to 19 form part of these financial statements

**Lancashire Schools SPC Holdings Phase 1  
Ltd (Registered number: 05973319)**

**Balance Sheet  
31 December 2020**

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Investments	9	50	50
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	-	209
Debtors: amounts falling due after more than one year	10	6,285	5,761
Cash at bank		2	2
		<u>6,287</u>	<u>5,972</u>
<b>Creditors: amounts falling due within one year</b>	11	-	(209)
<b>Net current assets</b>		<u>6,287</u>	<u>5,763</u>
<b>Total assets less current liabilities</b>		<u>6,337</u>	<u>5,813</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(6,285)</u>	<u>(5,761)</u>
<b>Net assets</b>		<u><u>52</u></u>	<u><u>52</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	50	50
Retained earnings	15	2	2
<b>Shareholders' funds</b>		<u><u>52</u></u>	<u><u>52</u></u>

The financial statements on pages 8 to 19 were approved by the Board of Directors and authorised for issue on 8 July 2021 and were signed on its behalf by:



M Donn  
Director

The notes on pages 11 to 19 form part of these financial statements

**Statement of Changes in Equity  
for the Year Ended 31 December 2020**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2019</b>	50	2	52
<b>Changes in equity</b>			
Profit for the year	-	373	373
Total comprehensive income	-	373	373
Dividends	-	(373)	(373)
Total transactions with owners, recognised directly in equity	-	(373)	(373)
<b>Balance at 31 December 2019</b>	50	2	52
<b>Changes in equity</b>			
Profit for the year	-	140	140
Total comprehensive income	-	140	140
Dividends	-	(140)	(140)
Total transactions with owners, recognised directly in equity	-	(140)	(140)
<b>Balance at 31 December 2020</b>	50	2	52

The notes on pages 11 to 19 form part of these financial statements

**Notes to the Financial Statements  
for the Year Ended 31 December 2020**

**1. Statutory information**

Lancashire Schools SPC Holdings Phase 1 Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. Accounting policies**

**Basis of preparing the financial statements**

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Consolidated Investment Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Consolidated Investment Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

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

**Financial Reporting Standard 102 - reduced disclosure exemptions**

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:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Consolidated Investment Holdings 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 Sections 11 and 12 of FRS 102 (Basic Financial Instruments and Other Financial Instrument Issues respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

**Measurement convention and basis of presentation**

The financial statements are prepared on the historical cost basis.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020.**

**2. Accounting policies - continued**

**Going Concern**

The Company exists to hold investments in subsidiary entities providing services under certain private finance agreements. The subsidiaries are set up as Special Purpose Companies under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiaries, the exposure is limited to the extent of the investments it has made.

However, on 26 August 2020, the Group issued a legal claim relating to building defects against the Building Contractor ahead of the expiry of the limitation period under the Building Contract. At the date of signing this report the claim is in its early stages and so the total related costs to the Group and the outcome of the claim are not yet known. The latest financial model forecasts an estimate of the costs to which the Group is currently committed and shows that the Group can continue to meet its debts as they fall due though occurred an Event of Default in respect of the Senior Debt Service Cover Ratio ("SDSCR") covenant at March 2021 and is forecast at September 2021. As a result, the Senior Lender may seek to accelerate payment of the senior debt, indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are in regular and continuing discussions with the Lenders who are aware of the situation and are supportive of the claim. The Directors are not aware of any indication that the Lender intends to call in the balances owed to them in the event of a default SDSCR.

Having reviewed the Group's investment portfolio including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Group will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

In addition to the above consideration regarding the Group's SDSCR covenant, the Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2033. The Group has long-term contracts with the Council. As a consequence, the directors believe that the Group is well placed to manage its remaining business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Group in responding to COVID-19 has been assessed as low. This is because the Group is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management Group are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the Covid-19 outbreak, the Council have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

**Investments in subsidiaries**

Investments in subsidiaries and other undertakings are stated at cost less amounts written off.

**Significant judgements and estimates**

The directors believe that there have been no significant accounting estimates or judgements made in applying the Company's accounting policies.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**2. Accounting policies - continued**

**Classification of financial instruments issued by the company**

In accordance with Section 22 of FRS 102, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

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

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

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

**Basic financial instruments**

**(a) Trade and other debtors / creditors**

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

**(b) Interest-bearing borrowings classified as basic financial instruments**

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

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

**Taxation**

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**2. Accounting policies - continued**

**Deferred tax**

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

**Impairment excluding deferred tax assets**

**Financial assets (including trade and other debtors)**

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

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

**Interest receivable and interest payable**

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.

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

**Dividend income**

Dividend income is recognised in the profit and loss account on the date the company's right to receive payment is established.

**3. Employees and directors**

The company had no employees during the year (2019: none).

The Directors received no remuneration for their services during the year (2019: £nil).

**4. Operating profit**

Auditors' remuneration of £3,000 (2019: £2,000) was borne by the company's subsidiary in both the current and prior year and relates to audit fees only.

**5. Other interest receivable  
and similar income**

	2020	2019
	£'000	£'000
Interest on inter-company debt	665	658



**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**6. Interest payable and similar expenses**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Interest on inter-company debt	<b>665</b>	658
	<u>665</u>	<u>658</u>

**7. Tax on profit**

**Analysis of the tax charge**

No liability to UK corporation tax arose for the year ended 31 December 2020 nor for the year ended 31 December 2019.

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Profit before tax	<b>140</b>	373
	<u>140</u>	<u>373</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	<b>27</b>	71
Effects of:		
Non-taxable income	<b>(27)</b>	(71)
	<u>(27)</u>	<u>(71)</u>
Total tax charge	<b>-</b>	-
	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

On 3 March 2021, the UK Chancellor announced that the main rate of UK corporation tax will be increasing to 25% with effect from 1 April 2023. As the change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. There would be no effect on the tax on the profit for the year.

**8. Dividends**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Class A Ordinary shares of £50 each		
Final	<b>101</b>	268
Class B Ordinary shares of £50 each		
Final	<b>25</b>	68
Class C Ordinary shares of £50 each		
Final	<b>14</b>	37
	<u>140</u>	<u>373</u>

The company paid a final dividend of £140 per share in the current year (2019: £373).

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**9. Investments**

	<b>Shares in group undertakings £'000</b>
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	<u>50</u>
<b>Net book value</b>	
At 31 December 2020	<u>50</u>
At 31 December 2019	<u>50</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

**Lancashire Schools SPC Phase 1 Limited**

Registered office: 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB

Nature of business: PFI Contractor

	%		
Class of shares:	holding	2020	2019
Ordinary	100.00	£'000	£'000
Aggregate capital and reserves		(10,709)	(9,998)
(Loss)/profit for the year		<u>(248)</u>	<u>563</u>

The net liabilities of the subsidiary company are as a result of accounting for the fair value of an interest rate swap agreement, the majority of which do not crystallise as liabilities for a number of years. The carrying amount of the investment is considered supported by the underlying profitability of the subsidiary undertaking.

**10. Debtors**

	<b>2020 £'000</b>	<b>2019 £'000</b>
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>-</u>	<u>209</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>6,285</u>	<u>5,761</u>
Aggregate amounts	<u>6,285</u>	<u>5,970</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**10. Debtors - continued**

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings, which are measured at amortised cost.

**Debt receivable schedule**

The total cash owed by group undertakings are as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £000	2019 £000
Amounts owed by group undertakings	GBP	11.30%	2033	Semi-annual	6,285	5,970

Included within amounts owed by group undertakings are amounts receivable after five years of £5,442,000 (2019: £5,511,000).

Amounts owed by group undertakings are unsecured and are to be redeemed at par in accordance with a deed poll dated 15 December 2006. Any outstanding group undertakings will be redeemed by 31 August 2033 but they may be redeemed before that date at Lancashire Schools SPC Holdings Phase 1 Ltd's option on giving notice of no more than 30 days.

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

	2020 £'000	2019 £'000
Loan stock (see note 13)	-	38
Amounts owed to group undertakings	-	171
	<u>-</u>	<u>209</u>

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

	2020 £'000	2019 £'000
Loan stock (see note 13)	1,131	1,037
Amounts owed to group undertakings	5,154	4,724
	<u>6,285</u>	<u>5,761</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**13. Loans**

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings, which are measured at amortised cost.

**Debt repayment schedule**

The total cash repayable on group undertakings are as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £000	2019 £000
Amounts owed to group undertakings	GBP	11.30%	2033	Semi-annual	4,743	4,759
Loan stock	GBP	11.30%	2033	Semi-annual	1,041	1,045

Included within amounts owed to group undertakings and loan stock are amounts repayable after five years of £5,442,000 (2019: £5,511,000) respectively.

Amounts owed to group undertakings and loan stock are unsecured and are to be redeemed at par in accordance with a deed poll dated 15 December 2006. Any outstanding group undertakings and loan stock will be redeemed by 31 August 2033 but they may be redeemed before that date at Lancashire Schools SPC Holdings Phase 1 Ltd's option on giving notice of no more than 30 days.

**14. Called up share capital**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
720 (2019:720)	Class A Ordinary £50 (2019: £50)	£50	36	36
180 (2019:180)	Class B Ordinary £50 (2019: £50)	£50	9	9
100 (2019:100)	Class C Ordinary £50 (2019: £50)	£50	5	5
			<u>50</u>	<u>50</u>

The A, B and C shares rank equally in all respects, with the same rights attached to each.

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

**15. Retained earnings**

	Retained earnings £'000
At 1 January 2020	2
Profit for the year	140
Dividends	(140)
	<u>2</u>
At 31 December 2020	<u>2</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**16. Ultimate parent company**

Consolidated Investment Holdings Limited is regarded by the directors as being the company's ultimate and controlling parent company.

The company is a subsidiary undertaking of Lancashire Schools PSP Limited, a company incorporated in England and Wales. Consolidated Investment Holdings Limited heads the smallest and largest group in which the results are consolidated. Copies of the financial statements of Lancashire Schools PSP Limited and those of Consolidated Investment Holdings Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

**17. Related party disclosures**

**Lancashire Schools SPC Phase 1 Limited**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Interest paid on inter-company debt during the year	665	658
Amount due from related party at the end of the year	<u>6,285</u>	<u>5,970</u>

Lancashire Schools SPC Holdings Phase 1 Ltd has a 100% shareholding in the company.

**Lancashire Schools PSP Limited**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Financing provided during the year	479	474
Amount due to related party at the end of the year	<u>4,525</u>	<u>4,298</u>

Lancashire Schools PSP Limited has a 81% shareholding in the company (72% direct, 9% indirect)

**East Lancashire LEP Finance Company Limited**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Financing provided during the year	67	66
Amount due to related party at the end of the year	<u>629</u>	<u>597</u>

East Lancashire LEP Finance Company Limited is a 100% subsidiary of East Lancashire LEP Company Limited, which has a 10% shareholding in the company.