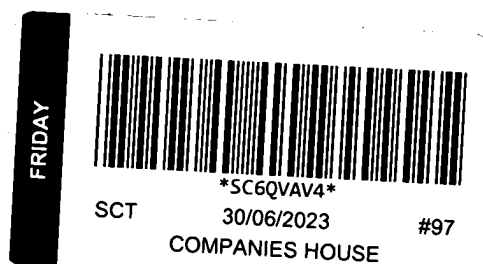


Company Registration No. 06096067 (England and Wales)

**PYRAMID SCHOOLS (PLYMOUTH) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**



# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	JS Gordon PR Hepburn J McDonagh
<b>Secretary</b>	Resolis Limited
<b>Company number</b>	06096067
<b>Registered office</b>	1 Park Row Leeds United Kingdom LS1 5AB
<b>Auditor</b>	Johnston Carmichael LLP 7 - 11 Melville Street Edinburgh EH3 7PE

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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The Directors present their annual report and financial statements for the year ended 30 September 2022.

### **Principal activities**

The principal activity of the Company is to design, finance, construct, refurbish and operate two schools in Plymouth, under a concession agreement signed on 27th February 2007 with the Plymouth City Council ("PCC").

### **Going concern**

The Directors have reviewed the Company's projected cashflows by reference to a financial model covering the accounting periods up to 30 June 2034. The Directors have also examined the current status of the Company's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the Directors consider that the Company will be able to meet its financial obligations on the due dates for the foreseeable future.

The Directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.

### **Results and dividends**

The results of the Company are as set out in the statement of comprehensive income on page 8.

### **Dividends**

The directors declared and paid a dividend in 2022 of £537,000 (2021 : £992,000). Dividends proposed post year end total £364,726.

### **Directors**

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

PR Hepburn	(Appointed 9 February 2023)
P K Johnstone	(Resigned 9 February 2023)
ID Lamerton	(Resigned 9 February 2023)
J McDonagh	(Appointed 1 March 2023)
JS Gordon	(Appointed 1 March 2023)

The Directors holding office at 30 September 2022 did not hold any beneficial interest in the issued share capital of the Company at 1 October 2021 or 30 September 2022.

### **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.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the independent auditors will be deemed to be reappointed and Johnston Carmichael LLP will therefore continue in office.

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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### **Statement of disclosure to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### **Small companies exemption**

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

On behalf of the board



PR Hepburn  
Director

Date: 28 / 06 / 2023

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2022***

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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.

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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#### **Opinion**

We have audited the financial statements of Pyramid Schools (Plymouth) Limited (the 'Company') for the year ended 30 September 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, Statement of Cash Flows 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 30 September 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 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 the audit:

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

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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

### **TO THE MEMBERS OF PYRAMID SCHOOLS (PLYMOUTH) 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 take advantage of the small companies exemption from the requirement to prepare a strategic report.

#### **Responsibilities of directors**

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### *Extent the audit was considered capable of detecting irregularities, including fraud*

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

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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

#### **TO THE MEMBERS OF PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice, including FRS 102
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the Company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements 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 intentional concealment, forgery, collusion, omission or misrepresentation. 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 would become aware of it.

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

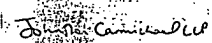
## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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#### **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.



**Grant Roger (Senior Statutory Auditor)**  
**For and on behalf of Johnston Carmichael LLP**

Date: 28 / 06 / 2023 .....

**Chartered Accountants**  
**Statutory Auditor**

7 - 11 Melville Street  
Edinburgh  
EH3 7PE

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Notes	2022 £'000	2021 £'000
Turnover	3	3,791	3,407
Cost of sales		(2,513)	(2,518)
<b>Gross profit</b>		<b>1,278</b>	<b>889</b>
Administrative expenses		(381)	(357)
<b>Operating profit</b>	<b>4</b>	<b>897</b>	<b>532</b>
Other interest receivable and similar income	3	1,578	1,672
Other interest payable and similar expenses	7	(1,622)	(1,740)
<b>Profit before taxation</b>		<b>853</b>	<b>464</b>
Tax on profit		(168)	(88)
<b>Profit for the financial year</b>		<b>685</b>	<b>376</b>
<b>Other comprehensive income</b>			
Fair value movement of derivatives		5,250	2,303
Tax relating to other comprehensive income		(1,312)	(115)
<b>Total comprehensive income for the year</b>		<b>4,623</b>	<b>2,564</b>

# PYRAMID SCHOOLS (PLYMOUTH) LIMITED


## BALANCE SHEET

AS AT 30 SEPTEMBER 2022

	Notes	2022 £'000	2021 £'000
<b>Current assets</b>			
Debtors falling due after more than one year	9	21,205	24,141
Debtors falling due within one year	9	2,740	2,597
Cash at bank and in hand		2,112	2,455
		<u>26,057</u>	<u>29,193</u>
Creditors: amounts falling due within one year	10	(3,099)	(4,467)
<b>Net current assets</b>		<u>22,958</u>	<u>24,726</u>
Creditors: amounts falling due after more than one year	11	(21,171)	(27,025)
<b>Net assets/(liabilities)</b>		<u>1,787</u>	<u>(2,299)</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Hedging reserve	14	(95)	(4,033)
Profit and loss reserves		1,881	1,733
<b>Total equity</b>		<u>1,787</u>	<u>(2,299)</u>

The notes on pages 11 to 21 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 28 / 06 / 2023 and are signed on its behalf by:

  
 PR Hepburn  
 Director

Company Registration No. 06096067

# PYRAMID SCHOOLS (PLYMOUTH) LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 October 2020		1	(6,221)	2,349	(3,871)
Year ended 30 September 2021:					
Profit for the year		-	-	376	376
Other comprehensive income:			2,188		2,188
Total comprehensive income for the year		-	2,188	376	2,564
Dividends	8	-	-	(992)	(992)
Balance at 30 September 2021		1	(4,033)	1,733	(2,299)
Year ended 30 September 2022:					
Profit for the year		-	-	685	685
Other comprehensive income:		-	3,938	-	-
Total comprehensive income for the year		-	3,938	685	685
Dividends	8	-	-	(537)	(53)
Balance at 30 September 2022		1	(95)	1,881	1,787

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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### **1 Accounting policies**

#### **Company information**

Pyramid Schools (Plymouth) Limited is a private company, limited by shares, registered and incorporated in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

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 £'000.

#### **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.

#### **1.2 Going concern**

The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the Company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit Agreement. Therefore, the directors, having considered the financial position of the Company and its expected future cash flows, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the Company or cease trading as it is considered there are realistic alternatives to doing so.

The directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.

# PYRAMID SCHOOLS (PLYMOUTH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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1	Accounting policies	(Continued)
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1.3	Accounting for PFI contracts
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The Company has taken advantage of exemptions made available under section 35 10 (i) of FRS 102, and as such there has been no substantial change to the treatment of the financial asset receivable due to the adoption of the standard.

Under the terms of the contract, substantially all the risks and rewards of ownership of the property remain with the Plymouth City Council.

During the period of construction, costs incurred as a direct consequence of financing, designing and constructing the schools, including finance costs, are capitalised and shown as work in progress. On completion of the construction, credit is taken for the deemed sale, which is recorded within turnover. The construction expenditure and associated costs are reallocated to cost of sales. Amounts receivable are classified as a financial asset receivable (PFI debtor).

Revenues received from the customer are apportioned between:

- capital repayments;
- finance income; and
- operating revenue.

### Service concessions

The Company has been established to provide services under certain private finance agreements with Plymouth City Council. Under the terms of these agreements, the Council (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal asset, of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

1.4	Cash and cash equivalents
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Cash Investments are stated at cost excluding any accrued interest and with no provision for impairment in value.

### *Restricted cash*

The Company is obligated to keep separate cash reserves in respect of requirements in the Company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £957,000 at the year end (2021: £903,000).

1.5	Financial instruments
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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 statement of financial position when the Company 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.

# PYRAMID SCHOOLS (PLYMOUTH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

---

1 Accounting policies

(Continued)

**Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances are initially measured at transaction price including transaction costs and are subsequently carried at amortised costs 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 market rate interest.

**Loans and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of the interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to net carrying amount on initial recognition.

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and 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. The impairment loss 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 when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

**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 its liabilities.

**Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, 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 receipts discounted at a market rate interest.

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

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

# PYRAMID SCHOOLS (PLYMOUTH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

---

### 1 Accounting policies

(Continued)

#### **Other financial liabilities**

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

### 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 Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in the cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the fair value of the derivative financial instrument is recognised directly in the statement of comprehensive income as other comprehensive income or expense. Any ineffective portion of the hedge is recognised immediately in profit or loss.

Where hedge accounting recognises a liability then an associated deferred tax asset is also recognised.

#### **Cash flow hedges**

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods in which the hedged item affects profit or loss, or when the hedging relationship ends.

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

### 1.8 Taxation

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

#### **Current tax**

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

# PYRAMID SCHOOLS (PLYMOUTH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

---

**1 Accounting policies**

(Continued)

***Deferred tax***

Deferred tax is provided in full on timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items or income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

**1.9 Lifecycle**

Under the terms of the PFI contract, the company has a programme of expenditure for the maintenance of and replacement of non-moveable assets in the facilities. The company recognises such expenses as incurred, with any committed expenditure at the balance sheet dates being appropriately accrued for with the associated expense recognised through the Statement of Comprehensive Income.

# **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the result 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.

#### **Key sources of estimation uncertainty**

- Accounting for the service concession contract and financial assets require and estimation of the service margins, finance debtors interest rate and associated amortisation profile which is based on forecast results of the PFI contract.

#### **Critical judgements in applying the Company's accounting policies**

- Derivative financial instruments are held at fair value;
- Applicability of hedge accounting; and
- Cashflow certainty of hedges.

#### **Accounting for service concessions and PFI contracts**

The Company was established to provide services under certain private finance agreements with Leeds City Council. Under the terms of these Agreements, the Council (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Company has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 October 2014). The nature of the asset has therefore not changed.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Council), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Revenue is recognised from the supply of services, which represents the timing of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

## PYRAMID SCHOOLS (PLYMOUTH) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

(Continued)

##### *Derivative financial instruments*

###### Financial Instruments

The Company holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract. See Hedge Accounting below for how the derivative is accounted for.

###### Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in the cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the fair value of the derivative financial instrument is recognised directly in the statement of comprehensive income as other comprehensive income or expense. Any derivative porting of the hedge is recognised immediately in statement of comprehensive income.

###### Applicability of hedge accounting

The application of hedge accounting has remained unaffected. The remaining repayments are anticipated to be made as per the original repayment schedule in the bank and swap agreements.

#### 3 Turnover and other revenue

The turnover and profit before taxation are attributable to the one principal activity of the Company.

	2022 £'000	2021 £'000
Turnover analysed by class of business		
Turnover from operations	2,850	2,626
Pass through income	941	781
	<u>3,791</u>	<u>3,407</u>

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided, and is recognised each year as the applicable portions of the amounts receivable relating to finance and operating costs calculated on a consistent basis (see accounting policies).

Turnover is attributable to one geographical market, the United Kingdom. Turnover from pass throughs in the current year and previous year relate to deductions and variations.

#### 4 Operating profit

	2022 £'000	2021 £'000
The operating profit is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	18	16
Taxation advisory services	7	7
	<u>25</u>	<u>23</u>

#### 5 Employees and directors

The Company had no employees (2021: nil) during the year. Service fees of £57,000 (2021: £47,000) were charged to the Company's ultimate shareholders for the directors' services to the Company during the year.

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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# PYRAMID SCHOOLS (PLYMOUTH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

### 9 Debtors (Continued)

	2022 £'000	2021 £'000
Amounts falling due after more than one year:		
Finance asset receivable	21,176	23,029
Deferred tax asset	29	1,112
	<u>21,205</u>	<u>24,141</u>
<b>Total debtors</b>	<u>23,945</u>	<u>26,738</u>

The deferred tax asset is to be relieved against future profits, the Company anticipates having sufficient future profits to relieve the loss against.

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

	2022 £'000	2021 £'000
Bank loans	1,448	1,534
Trade creditors	370	467
Corporation tax	125	62
Other taxation and social security	190	185
Subordinated loan	107	467
Interest rate swap liability	22	930
Accruals and deferred income	837	822
	<u>3,099</u>	<u>4,467</u>

Interest is charged on the subordinated loan stock balances at the rate of 13%. The loans are unsecured and repayable in instalments over a period of 25 years, which commenced in 2009.

The secured senior loan represents amounts borrowed under a facility agreement with Barclays Bank PLC. The loan bears interest at a margin over SONIA of 0.65% and is repayable in instalments between 2009 and 2032. The loan is secured by fixed and floating charges over the property, assets and rights of the Company, and has certain covenants attached.

An amendment has been made to the interest rate swap agreement during the year in order to transfer from LIBOR to SONIA which is effective from 30 September 2022.

In order to hedge against interest variations on the senior secured loan, the Company has entered into an interest rate swap agreement with a bank whereby bi-annually sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount. The swap liability and related deferred tax asset have been classified between current and non-current for this financial year.

# PYRAMID SCHOOLS (PLYMOUTH) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

	2022 £'000	2021 £'000
Bank loans	18,360	19,807
Subordinated loan	2,706	2,771
Interest rate swap liability	105	4,447
	<u>21,171</u>	<u>27,025</u>

### 12 Other creditors falling due after one year

Creditors which fall due after five years are as follows:

	2022 £'000	2021 £'000
Payable by instalments	<u>14,405</u>	<u>16,319</u>

### 13 Called up share capital

	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital Issued and fully paid				
Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>

On incorporation 1,000 shares were issued at £1 each. They carry no right to fixed income.

### 14 Hedging reserve

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

### 15 Related party disclosures

The Company has taken advantage of exemption, under the small companies regime, not to disclose related party transactions that have been concluded under normal market conditions.

## **PYRAMID SCHOOLS (PLYMOUTH) LIMITED**

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

***FOR THE YEAR ENDED 30 SEPTEMBER 2022***

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#### **16 Controlling parties**

The Company is incorporated and domiciled in the United Kingdom. The immediate parent company and controlling party is Pyramid Schools Plymouth (Holdings) Limited, a company where the registered office is 1 Park Row, Leeds, United Kingdom, LS1 5AB.

The next immediate controlling party and parent is Environments for Learning Limited. Environments for Learning Limited is incorporated in the United Kingdom with registered address, 1 Park Row, Leeds, United Kingdom, LS1 5AB. Environments for Learning Limited produces consolidated financial statements at 30 September 2022 which is the smallest and largest Company in which these results are consolidated.

Environments for Learning Limited is ultimately owned by Coral Project Investments LP and Dalmore Capital Fund LP, both registered and operating in the United Kingdom, and acting by their manager, Dalmore Capital Limited. In the opinion of the Directors, Coral Project Investments LP and Dalmore Capital Fund LP ultimately jointly control the Company.

The ultimate parent companies are Coral Project Investments LP and Dalmore Capital Fund LP acting by their manager Dalmore Capital Limited.