E4D&G Holdco Limited
Report and financial statements
for the year ended 31 December 2022
Registered number 06391085

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COMPANY INFORMATION

Directors	N M Anand D O Anderson K A L Pearman M Romagnoli
Secretary	Albany Secretariat Limited
Company number	06391085
Registered office	3rd Floor 3-5 Charlotte Street Manchester England M1 4HB
Auditor	BDO LLP 55 Baker Street London United Kingdom W1U 7EU

STRATEGIC REPORT
For the year ended 31 December 2022

The Directors present their strategic report on the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are to design, build, finance, operate, manage and maintain Castle Douglas Primary School, Dumfries RC Primary School, Heathhall Primary School, Kirkcudbright Primary School, Lockerbie Primary & Academy, Moffat All-through School, Stranraer Academy and Wallace Hall Primary & Academy in Dumfries and Galloway, Scotland for a period of 31 years and 7 months from 8 January 2008 to 14 August 2039 pursuant to a project agreement dated 8 January 2008.

The Group has overseen the construction of the schools, which commenced in January 2008, and full completion and operation of all the schools was achieved on 28 May 2010.

FUTURE DEVELOPMENTS

The Group is in the operational phase and services are being measured against the operating model and the most up to date expectations.

PRINCIPAL RISKS AND UNCERTAINTIES

Under the terms of the PPP concession contract, the Group is required to meet certain key performance targets. The Directors review actual performance against those targets on a regular basis to mitigate risks arising from contract activities.

Credit risk

The Group receives its revenue from a UK local government body, the Authority, and therefore is not exposed to significant credit risk. The Group draws funding, invests cash and enters into interest rate swap agreements with financial institutions. The credit quality of these institutions is reviewed by the Directors on a regular basis. As such the Group's exposure to credit risk is reduced.

Inflation risk

The Group's project revenue and operating costs are partly linked to inflation at the inception of the project.

Insurance risk

The Group is exposed to the conditions prevailing in the insurance market at each renewal date. The Directors manage this through close monitoring of the claims record of the project and through employing experienced brokering organisations to obtain competitive insurance terms.

Interest rate risk

The Group hedges its interest rate risk at the inception of the project by swapping its variable rate debt into a fixed rate, by the use of an interest rate swap. As such the Group's exposure to interest rate risk is reduced.

STRATEGIC REPORT *(continued)*

Liquidity risk

The Group maintains a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. The nature of the concessions provides predictable long term cash flows. Current forecasts indicate that the Group has sufficient cash flows to meet its future obligations.

Performance of sub-contractors

The performance of key sub-contractors is regularly monitored by the Directors.

KEY PERFORMANCE INDICATORS

The Directors consider revenue, operating profit, profit before tax, profit after tax and cash to be key performance indicators of the Group and are satisfied with the performance in the year.

The income statement is set out on page 11 and shows turnover for the year of £6,617,000 (2021: £6,368,000) and profit for the year after taxation of £434,000 (2021: £390,000).

Financial Performance

The Group has modelled the anticipated financial outcome of the project across its full term. The Group monitors actual financial performance against anticipated performance. Income and expenditure for the year ended 31 December 2022 which are based on fixed long-term contracts have been in line with the Directors' expectations.

Safety Performance

The Group is committed to providing a safe environment for its sub-contractors and those impacted by its activities. Safety reports are provided at each board meeting. These are reviewed by the Directors who monitor actual performance against anticipated performance using industry benchmarks. Appropriate action is taken where necessary in order to ensure that all matters raised are fully resolved and are compliant with safety regulations.

This report was approved by the board on 15 December 2023 and signed on its behalf by:

On behalf of the Board

K A L Pearman
Director

DIRECTORS' REPORT
For the year ended 31 December 2022

The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

DIVIDENDS

The Directors approved the payment of an interim dividend totalling £nil (2021: £49,000). The Directors do not recommend the payment of a final dividend (2021: nil).

GOING CONCERN

The Directors have reviewed the financial forecasts and the level of funding as at 31 December 2022 and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The unitary charge income received from the local authority is highly predictable. The Directors do not believe that there is any material risk to income or cash flows. The Directors have also looked at the effect of possible downside scenarios with reduced level of income and cash flows and are satisfied that no default on lending covenants would arise. On this basis, the Directors anticipate that the Group will continue to be able to meet its business obligations as they fall due over the coming twelve months. The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

After considering these matters and in light of the current forecasts for the Group, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The Directors who served during the year, and up to the date of this report, were as follows:

N M Anand	
D O Anderson	
J G Connelly	Resigned 7th March 2022
L J Falero	Resigned 6th October 2022
N Kaznacheieva	Resigned 6th July 2023
K A L Pearman	
M Romagnoli	Appointed 27th July 2023

DIRECTORS' REPORT *(continued)*
For the year ended 31 December 2022

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objectives and policies are disclosed in the strategic report.

DISCLOSURE OF INFORMATION TO AUDITOR

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 information of which the Group's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themself aware of any relevant information and to establish that the Group's auditors are aware of that information.

AUDITOR

BDO LLP has expressed its willingness to continue in office as auditor for the year. The Group has filed an elective resolution not to hold an annual general meeting and dispensed with the requirement to reappoint auditors annually.

This report was approved by the board on 15 December 2023 and signed on its behalf by:

K A L Pearman
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the strategic report, 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, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent 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 Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF E4D&G HOLDCO LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's 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.

We have audited the financial statements of E4D&G Holdco Limited ("the Parent Company") and its subsidiary ("the Group") for the year ended 31 December 2022 which comprise the consolidated income statement and statement of other comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

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

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

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF E4D&G HOLDCO LIMITED *(continued)*

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF E4D&G HOLDCO LIMITED *(continued)*

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice, UK tax legislation and the Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF E4D&G HOLDCO LIMITED *(continued)*

Fraud (continued)

- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, revenue recognition, service revenue margins applied to costs incurred, the forecasting and profile of future lifecycle costs and inputs into the financial model utilised in the calculation of the finance debtor.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing and agreeing a sample of revenue and passthrough income transactions to supporting documentation and ensuring margins applied on the cost base where applicable correspond to the mark-up margins implicit in the financial model assessed; and
- Assessing the financial model, its integrity and source data and assessing management's ability to accurately and reliably forecast future expected expenditure.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

DocuSigned by:
BDO LLP
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Richard Willis (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
15 December 2023

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

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	2	**6,617**	6,368
Cost of sales		**(6,098)**	(5,809)
Gross profit		**519**	559
Net operating cost		**(624)**	(653)
Operating loss	3	**(105)**	(94)
Interest receivable and similar income	6	**6,004**	6,364
Interest payable and similar charges	7	**(5,364)**	(5,789)
Profit on ordinary activities before taxation		**535**	481
Tax on profit on ordinary activities	8	**(101)**	(91)
Profit for the financial year		**434**	390
Other comprehensive income			
Items that will or may be reclassified to profit and loss:			
Effective portion of fair value changes in cash flow hedges		**12,849**	5,889
Tax recognised in relation to change in fair value cash flow hedges: – Origination and reversal		**(3,213)**	(180)
Other comprehensive income for the year		**9,636**	5,709
Total comprehensive income for the year		**10,070**	6,099

The notes on pages 17 to 31 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Current assets			
Debtors: amounts falling due after more than one year	11	**91,008**	97,336
Debtors: amount due within one year	12	**2,932**	3,945
Cash at bank and in hand		**6,968**	4,708
		100,908	105,989
Creditors: amounts falling due within one year	13	**(8,192)**	(8,321)
Net current assets		**92,716**	97,668
Creditors: amounts falling due after more than one year	14	**(91,765)**	(106,787)
Net assets/(liabilities)		**951**	(9,119)
Capital and reserves			
Called up share capital	17	**50**	50
Retained earnings		**2,998**	2,564
Cash flow hedge reserve		**(2,097)**	(11,733)
Equity shareholders' surplus/deficit		**951**	(9,119)

The notes on pages 17 to 31 form part of these financial statements.

These financial statements were approved by the board and authorised for issue on 15 December 2023 and were signed on its behalf by:

K A L Pearman
Director

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Investments	9	**50**	50
		50	50
Current assets			
Debtors: amounts falling due after more than one year	11	**8,143**	8,342
Debtors: amount due within one year	12	**532**	421
		8,675	8,763
Creditors: amounts falling due within one year	13	**(532)**	(421)
Net current assets		**8,143**	8,342
Total assets less current liabilities		**8,193**	8,392
Creditors: amounts falling due after more than one year	14	**(8,143)**	(8,342)
Net assets		**50**	50
Capital and reserves			
Called up share capital	17	**50**	50
Retained earnings		**-**	-
Equity shareholders' surplus		**50**	50

The notes on pages 17 to 31 form part of these financial statements.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company's profit after tax for the financial year was £nil (2021: £49,000).

These financial statements were approved by the board and authorised for issue on 15 December 2023 and were signed on its behalf by:

K A L Pearman
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £000	Cash flow hedge reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	**50**	**(11,733)**	**2,564**	**(9,119)**
Profit for the year	-	-	434	434
Other comprehensive income	-	9,636	-	9,636
Total comprehensive income for the year	-	9,636	434	10,070
Dividends	-	-	-	-
Balance at 31 December 2022	**50**	**(2,097)**	**2,998**	**951**
Balance at 1 January 2021	50	(17,442)	2,223	(15,169)
Profit for the year	-	-	390	390
Other comprehensive income	-	5,709	-	5,709
Total comprehensive income for the year	-	5,709	390	6,099
Dividends	-	-	(49)	(49)
Balance at 31 December 2021	50	(11,733)	2,564	(9,119)

The notes on pages 17 to 31 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	**50**	**-**	**50**
Profit for the year	-	-	-
Total comprehensive income for the year	**50**	**-**	**50**
Dividends	-	-	-
Balance at 31 December 2022	**50**	**-**	**50**
Balance at 1 January 2021	50	-	50
Profit for the year	-	**49**	**49**
Total comprehensive income for the year	-	49	49
Dividends	-	(49)	(49)
Balance at 31 December 2021	50	-	50

The notes on pages 17 to 31 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
Profit for the financial year		**434**	390
Adjustments for:			
Interest receivable and similar income	6	**(6,004)**	(6,364)
Interest payable and similar charges	7	**5,364**	5,789
Taxation expense	8	**101**	91
Decrease / (Increase) in trade and other debtors		**851**	(207)
Increase / (Decrease) in trade creditors		**1,076**	(75)
Cash from operations		**1,822**	(376)
Interest received		**6,004**	6,364
Interest paid		**(5,573)**	(5,781)
Taxation paid		**(59)**	(89)
Net cash generated from operating activities		**2,194**	118
Generated from investing activities			
Proceeds from repayment of PFI/PPP financial assets		**3,277**	3,129
Net cash from investing activities		**3,277**	3,129
Cash flows from financing activities			
Equity dividends paid		**-**	(49)
Payment of senior debt loan liabilities		**(3,013)**	(2,981)
Payment of shareholder loan liabilities		**(137)**	(150)
Financing costs		**(62)**	(24)
Net cash used in financing activities		**(3,212)**	(3,204)
Net increase in cash and cash equivalents		**2,260**	43
Cash and cash equivalents at beginning of year		**4,708**	4,665
Cash and cash equivalents at end of year		**6,968**	4,708

The notes on pages 17 to 31 form part of these financial statements.

Notes to the financial statements

1 ACCOUNTING POLICIES

General information

The Company is a private company limited by share capital, incorporated and domiciled in the UK and registered In England and Wales. The Company's registered office address is stated on page 1.

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group and Parent Company's financial statements.

These financial statements are prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2022 and the comparative information presented in these financial statements for the year ended 31 December 2021.

The Group has taken the exemptions under FRS 102 available in respect of the following disclosures:

- Service concession arrangements – the Group 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;
- No cash flow statement has been presented for the Parent Company;
- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the Parent Company would be identical; and
- Disclosures in respect of the Parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.

Basis of consolidation

The Group financial statements include the financial statements of the Company and of its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the Group profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit after taxation for the Company is £nil (2021: £49,000).

Functional and presentation currency

The functional currency of the Group and the Company is pounds sterling. The presentation currency of the Group and the Company is pounds sterling, rounded to the nearest thousand pounds.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Notes to the financial statements *(continued)*

1 ACCOUNTING POLICIES *(continued)*

Going concern

The Directors have reviewed the financial forecasts and the level of funding as at 31 December 2022 and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The unitary charge income received from the local authority is highly predictable. The Directors do not believe that there is any material risk to income or cash flows. The Directors have looked at the effect of possible downside scenarios with reduced level of income and cash flows and are satisfied that no default on lending covenants would arise. On this basis, the Directors anticipate that the Group will continue to be able to meet its business obligations as they fall due over the coming twelve months. The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

After considering these matters and in light of the current forecasts for the Group, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition and contract costs

A significant amount of the Group's activities are undertaken via long term contracts which are accounted for in accordance with FRS 102 paragraphs 34.12 to 34.16A, Service Concession Agreements.

Management bases its judgement of contract costs and revenue on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenue are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates are updated regularly and significant changes are highlighted through established internal control procedures. The impacts of the changes in accounting estimates are then reflected in the ongoing results.

(b) Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

Notes to the financial statements *(continued)*

1 ACCOUNTING POLICIES *(continued)*

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors 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.

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. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- Hedging instruments in a designated hedging relationship shall be recognised as set out over the page.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Notes to the financial statements *(continued)*

1 ACCOUNTING POLICIES *(continued)*

Cash flow hedges

The Group has entered into interest rate swaps and has designated these as hedges for highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

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 Group 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.

Finance debtor and service income

The Group is an operator of a Private Finance Initiative (PFI) contract. The underlying assets are not deemed to be assets of the Group under FRS 102 section 34C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and the finance debtor, using a project-specific interest rate. The remainder of the PFI unitary charge income is included within turnover, in accordance with FRS 102 section 23. The Group recognises income in respect of the services provided, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Notes to the financial statements *(continued)*

1 ACCOUNTING POLICIES *(continued)*

Finance debtor and service income *(continued)*

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

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

Expenses

Interest receivable and Interest payable

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

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

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 financial reporting 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 years different from those in which they are recognised in the financial statements. 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.

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 financial reporting date. Deferred tax balances are not discounted.

Notes to the financial statements *(continued)*

2 TURNOVER

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

	2022	2021
	£000	£000
Service fee revenue	**6,592**	5,843
Pass-through income	**25**	525
	6,617	6,368

The turnover and profit on ordinary activities before taxation are attributable to the continuing operations and principal activities carried on within the United Kingdom. All turnover arises solely in the UK.

3 OPERATING LOSS

Operating loss is stated after charging:	**2022**	2021
	£000	£000
Auditor's remuneration	**22**	13

The above auditors remuneration consists of £20,000 (2021: £12,500) relating to these financial statements and £2,000 (2021: £2,000) relating to the audit of the parent company and group.

4 DIRECTORS' REMUNERATION

	2022	2021
	£000	£000
Amounts payable in respect of directors' services to third parties	**47**	47

5 EMPLOYEES

No staff were directly employed by the Group (2021: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractors' service charge.

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£000	£000
Amounts recoverable from contracts	**5,998**	6,364
Bank interest receivable	**6**	-
	6,004	6,364

Notes to the financial statements *(continued)*

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £000	2021 £000
Interest payable on loan from parent undertaking	**1,077**	1,106
Interest payable on senior debt	**2,816**	2,510
Interest payable on swap	**1,409**	2,149
Bank charges	**14**	14
Commitment fees	**48**	10
	5,364	5,789

8 TAXATION

a) Analysis of tax charge of the year

	2022 £000	2021 £000
UK Corporation Tax		
Current tax on profit for the year	**101**	91
Deferred Tax		
Origination and reversal of timing differences	**-**	(1)
Effect of tax rate change on opening balance	**-**	1
Total tax charge for the year	**101**	91

b) Factors affecting the tax charge for the year

The tax charge for the year is above the standard rate of corporation tax in the UK, 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before taxation	**535**	481
Tax charge on profits on ordinary activities at the UK standard rate of corporation tax of 19% (2021: 19%):	**101**	91
Effects of:		
Difference in tax rates	**-**	-
Total tax charge for the year	**101**	91

c) Taxation recognised directly in equity

	2022 £000	2021 £000
Deferred tax		
Origination and reversal of timing differences	**3,213**	180
Total tax charge recognised directly in equity	**3,213**	180

Notes to the financial statements *(continued)*

Taxation (continued)

d) Factors affecting the future tax charge

Finance Act 2021, enacted on 10 June 2021, increased the main rate of corporation tax from 19% to 25%, effective from 1 April 2023. The deferred tax balance has been re-measured at 25%.

9 INVESTMENTS – COMPANY

	2022 **£000**	2021 £000
Investment in subsidiary undertakings	**50**	50

At 31 December 2022, the Company held 100% of the share capital of the following company:

Company and address	**Country of registration**	**Class of share capital held**	**Proportion held**	**Nature of business**
E4D&G Project Co Limited 3rd Floor 3-5 Charlotte Street Manchester M1 4HB	England and Wales	Ordinary shares	100%	Operation of PFI concession

10 DIVIDENDS

	2022 **£000**	2021 £000
Interim dividend of NIL per ordinary share (2021: £0.98).	-	49

No final dividends were paid or proposed (2021: £nil).

11 DEBTORS: amounts falling due after more than one year

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Amounts recoverable on finance debtor	**90,307**	93,422	-	-
Deferred tax asset (note 16)	**701**	3,914	-	-
Loans to subsidiary undertaking	-	-	**8,143**	8,342
	91,008	97,336	**8,143**	8,342

Notes to the financial statements *(continued)*

12 DEBTORS: amounts falling due within one year

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Trade debtors	-	86	-	-
Other debtors	-	6	-	-
Amounts recoverable on finance debtor	**2,910**	3,072	-	-
Prepayments and accrued income	**22**	781	-	-
Loans to subsidiary undertaking	-	-	**532**	421
	2,932	3,945	**532**	421

13 CREDITORS: amounts falling due within one year

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Trade creditors	**2,071**	528	-	-
Accruals and deferred income	**947**	1,682	-	-
Other creditors	-	27	-	-
Taxation and social security	**225**	307	-	-
Corporation tax	-	13	-	-
Senior debt facility	**4,126**	3,596	-	-
Loan from parent undertaking	**532**	421	**532**	421
Derivative financial instruments	**291**	1,747	-	-
	8,192	8,321	**532**	421

Amounts due to related parties within creditors are disclosed in note 23.

14 CREDITORS: amounts falling due after more than one year

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Senior debt facility	**81,120**	84,548	-	-
Loan from parent undertaking	**8,143**	8,342	**8,143**	8,342
Derivative financial instruments	**2,502**	13,897	-	-
	91,765	106,787	**8,143**	8,342

Notes to the financial statements *(continued)*

15 ANALYSIS OF DEBT

	2022 £000	2021 £000
In one year or less, or on demand	**4,658**	4,018
Between one and two years	**4,191**	4,214
Between two and five years	**13,824**	12,384
In five years or more	**71,247**	76,291
	93,920	96,907

The senior debt loan is provided by two facilities – A and B.

Facility A's interest is payable on the senior debt loan at SONIA plus margin of 0.60% (2021: at LIBOR plus margin of 0.60%). The rates charged during the year have ranged from 0.89277% to 4.13487%, (2021: 0.73750% to 0.76275%). The loan was fully drawn at 31 May 2010 with the first repayment made on 30 September 2010. Facility A as at 31 December 2022 stands at a cash liability (principal and interest) of £43,868,950 (2020: £44,947,089).

Facility B's interest is payable on the senior debt loan at a fixed annual rate of 4.869%. The loan was fully drawn at 31 May 2010 with the first repayment made on 30 September 2010. Facility B as at 31 December 2022 stands at a cash liability (principal and interest) of £42,001,587 (2021: £43,587,502).

The loan from the parent undertaking as at 31 December 2022 stands at cash liability (principal and interest) of £8,796,589 (2021: £8,937,117). Interest is payable on the loan calculated at a fixed rate of 12.5%.

Loans are secured by way of fixed and floating charges over the Group's assets.

As a condition of lending, the Group is required to take out interest rate hedges to fix the interest rate to hedge against cash flow interest rate risk until the debt has been repaid. The Group hedges its interest payable on its floating interest rate debt. The hedge fair value at 31 December 2022 is a liability of £2,793,150 (2021: £15,643,809). The swap floating interest rate ranges from 0.1746% to 0.8268% (2021: 0.0875% to 0.8268%), with a fixed rate of 4.832%.

16 DEFERRED TAX ASSET

Deferred tax asset is attributable to the following:

	2022 £000	2021 £000
Deferred tax on revaluation of fair value of derivatives	**698**	3,911
Deferred tax on losses and other timing differences	**3**	3
	701	3,914

Deferred tax asset is recognised on the revaluation of the swap derivatives held by the Group. These are accounted for under cash flow hedges (see note 18).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

Notes to the financial statements *(continued)*

17 SHARE CAPITAL

	2022	2021
	£000	£000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50

The ordinary share capital is divided into A and B shares, with 42,500 A shares and 7,500 B shares in issue. The A and B classes of shares rank pari passu in voting rights and entitle the holders to appoint six and one directors in number respectively.

18 CASH FLOW HEDGE RESERVE

	2022	2021
	£000	£000
Gross swap loss	**2,795**	15,644
Deferred tax effect	**(698)**	(3,911)
	2,097	11,733

19 RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share capital	Nominal value of shares issued.
Retained earnings	All other net gains and transactions with owners (e.g. dividends) not recognised elsewhere.
Hedge reserve	Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.

Notes to the financial statements *(continued)*

20 FINANCIAL INSTRUMENTS

(a) Carrying amounts of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2022 £000	2021 £000
Assets measured at amortised cost		
– Finance debtor	**93,217**	96,494
– Trade and other debtors (note 12)	**-**	92
	93,217	96,586
Assets measured at cost less impairment		
– Cash and cash equivalents	**6,968**	4,708
Liabilities measured at amortised cost		
– Trade payables (note 13)	**(2,071)**	(528)
– Accruals (note 13)	**(947)**	(1,682)
– Bank loan	**(85,246)**	(88,144)
– Subordinated debt	**(8,675)**	(8,763)
	(96,939)	(99,117)
Liabilities measured at fair value through profit and loss		
– Interest rate swaps (note 20d)	**(2,793)**	(15,644)

(b) Financial instruments measured at fair value

Derivative financial instruments

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.

Notes to the financial statements *(continued)*

20 FINANCIAL INSTRUMENTS *(continued)*

(c) Hedge accounting

The following table indicates the years in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

2022

	Contractual cash flows £000	**Within 1 year £000**	**Between 1 and 2 years £000**	**Between 2 and 5 years £000**	**5 years and over £000**
Interest rate swap	**2,894**	**183**	**297**	**809**	**1,605**

2021

	Contractual cash flows £000	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5 years and over £000
Interest rate swap	16,927	257	1,504	4,184	10,982

The Group has entered into an interest rate swap agreement under the senior debt loan which both expire in February 2039. A fixed rate of 4.832% 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.

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2022 £000	2021 £000
Interest rate swap contracts liability	**2,793**	15,644

21 COMMITMENTS

At 31 December 2022, the Group had no authorised and contracted capital commitments (2021: nil).

22 CONTINGENT LIABILITIES

Losses for which no provision has been made and which might arise from contractual litigation in the normal course of business, are not expected to be material in the context of these financial statements, after taking account of contractual entitled reimbursements.

Notes to the financial statements *(continued)*

23 RELATED PARTY TRANSACTIONS

Expenditure with related parties	Relationship	Class of Transaction	2022 Expenditure £000	2022 Amounts owed to related parties £000
Amey Community Limited	A subsidiary undertaking of Amey Limited	Services	**5,767**	**2,428**
Amey Ventures Investments Limited	85% shareholder in the Company	Financing	**918**	**6,356**
Currie & Brown (Investments D&G) Limited	15% shareholder of Company's parent	Services	**7**	**-**
		Financing	**162**	**1,122**
DIF Infra Yield 1 UK Limited	Joint venture partner	Services	**36**	**-**

Expenditure with related parties	Relationship	Class of Transaction	2021 Expenditure £000	2021 Amounts owed to related parties £000
Amey Community Limited	A subsidiary undertaking of Amey Limited	Services	5,517	1,680
Amey Ventures Investments Limited	85% shareholder in the Company	Financing	940	7,449
Currie & Brown (Investments D&G) Limited	15% shareholder of Company's parent	Services	7	-
		Financing	166	1,314
DIF Infra Yield 1 Limited	Joint venture partner	Services	36	9

Notes to the financial statements *(continued)*

24 ULTIMATE PARENT UNDERTAKING

As at 31 December 2022, E4D&G Holdco Limited was controlled by Amey Ventures Investments Limited, a company incorporated in England and Wales.

Amey Ventures Investments Limited is the smallest group for which consolidated financial statements are produced which include E4D&G Holdco Limited. Copies of the financial statements of Amey Ventures Investments Limited may be obtained from that company's registered office: 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB.

Amey Ventures Investments Limited is a joint venture company held between DIF Infra JV UK Limited and Amey Investments Limited. DIF Infra JV UK Limited holds a 95% equity interest in Amey Ventures Investments Limited, but, due to the shareholder agreement in place, there is no ultimate parent company.

DIF Infra JV UK Limited is a wholly owned subsidiary undertaking of DIF Infrastructure Yield 1 Cooperatief U.A., an entity registered in the Netherlands.

Amey Investments Limited is a wholly owned subsidiary of Amey Limited whose ultimate parent is Project Ardent Bidco Limited, a company incorporated in England and Wales.

25 SUBSEQUENT EVENTS

There were no subsequent events after the balance sheet date up to the date of signing of the financial statements.

26 ANALYSIS OF CHANGES IN NET DEBT – GROUP

	At 1 January 2022 £000	Cash flows £000	Other non-cash changes £000	**At 31 December 2022 £000**
Cash at bank and in hand	4,708	2,260	-	6,968
Loans and borrowings	(96,907)	3,150	(164)	(93,921)
Interest rate swap liabilities	(15,644)	-	12,851	(2,793)
	(107,843)	5,410	12,687	**(89,746)**