S&W TLP (PSP Two) Limited

Annual Report and Financial Statements
Registered No: 07028475

31 March 2020

CONTENTS **PAGE**

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R W Driver
M G D Holden

COMPANY SECRETARY

Emily Mendes

REGISTERED OFFICE

Level 7,
One Bartholomew Close
Barts Square
London
EC1A 7BL

GROUP BANKERS

HSBC
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

MUFG
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9AN

AUDITOR

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

DIRECTORS'REPORT

The Directors present their annual report for S&W TLP (PSP Two) Limited for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company acts as a holding company for its subsidiary S&W TLP (Hold Co One) Limited. The principal activity of that subsidiary is the finance design refurbishment and operation of education facilities under the Government's Private Finance Initiative (PFI) for Salford City Council ("the Authority") which it carries out through its investment in its subsidiary S&W TLP (Project Co One) Limited. Operational activities have continued throughout the year. No significant changes to the group's activities are anticipated in the foreseeable future.

The results for the Group for the year are in line with budget. The Directors anticipate that the Group will perform in line with budget in the coming financial year.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2019: £nil)

KEY PERFORMANCE INDICATORS (KPI)

1. Performance deductions under the service contract

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These deductions are passed on to the service provider but the quantum is an indication of unsatisfactory performance. In the year ended 31 March 2020, deductions of £12,000 (2019: £50,000) had been levied which represents 0.4% (2019: 1.9%) of revenue. The directors believe the performance for the year to be satisfactory.

2. Financial performance

The directors have modelled the anticipated financial outcome of the concession across its full term. The Directors monitor actual financial performance against this anticipated performance. As at 31 March 2020, the Group's performance against this measure was satisfactory.

DIRECTORS

The directors of the Company who held office during the year, and to the date of signing, were as follows:

R W Driver
M G D Holden

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year.Statement as to disclosure of information to the Auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

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

DIRECTORS' REPORT *(continued)*

FINANCIAL RISK MANAGEMENT

The financial risk management policy of the Group is designed to identify and manage risk at the earliest possible point. The Group keeps a detailed risk register which is formally reviewed by the Board on a quarterly basis.

The Group does not undertake financial instrument transactions that are speculative or unrelated to the Group's trading activities. Board approval is required for the use of any new financial instrument, and the Group's ability to enter into any new transaction is constrained by covenants in its existing funding agreement.

The Group's exposure to and management of price risk, credit risk, liquidity risk and interest rate cash flow risk is detailed below.

The Company is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the cost of supplies. Performance risk under the Project Agreement and related contracts is passed on to the service provider. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continues to actively monitor developments.

Price risk

The Group's price risk is managed through the twenty five year service delivery element of the project agreement with Salford City Council which provides for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with Salford City Council.

Credit risk

Cash flows are generated from the availability of the schools and from the maintenance provided to Salford City Council. Cash flows are secured under a long-term contract with Salford City Council, whose liabilities are effectively underwritten by the Government.

COVID-19 risk

The Group is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Group is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts is passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continues to actively monitor developments.

Liquidity risk

The Group's liquidity risk is principally managed through financing the Group by means of long-term and short-term borrowings which are tailored to match expected cost and revenues arising from the contract under the Private Finance Initiative. In addition, the Group has access to a debt service reserve facility which provides short-term liquidity against future debt service requirements.

Interest rate cash flow risk

The Group has interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances which earn interest at variable rates. Interest bearing liabilities include term loans and loan notes. Loan notes bear interest at a fixed rate. Term loans bear interest at variable rates and so the Group also enters into interest rate swaps, the purpose of which is to manage the interest rate risk arising from these borrowings.

DIRECTORS' REPORT *(continued)*

Going Concern

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.2.

The Group was able to meet the financial covenants as at March 2020, and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Group, the fact the obligations of the Group's sole customer are underwritten by the Secretary of State for Education, the Directors have a reasonable expectation that the Group will be able to settle its liabilities as they fall due for the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis

STRATEGIC REPORT EXEMPTION

A Strategic Report has not been prepared as permitted by companies eligible for the small companies' regime.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

M G D Holden
Director

One Bartholomew Close
Barts Square
London
EC1A 4TR

Date: 6/11/ 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the group and parent company 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 period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of S & W TLP (PSP Two) Limited
Year ended 31 March 2020

Opinion

We have audited the financial statements of S&W TLP (PSP Two) Limited ("the company") for the year ended 31 March 2020 which comprise the Consolidated Statement of Total Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 March 2020 and of the group's profit for the year then ended;

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;

- in our opinion the information given in that report for the financial year is consistent with the financial statements; and

- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Andrew Gordon

Andrew Gordon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

12 November 2020

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	3	3,066	2,643
Cost of sales		(2,464)	(2,186)
Gross profit		602	457
Administrative expenses		(359)	(276)
Operating profit	4 - 6	243	181
Interest receivable and similar income	7	4,243	4,362
Interest payable and similar expenses	8	(4,042)	(4,206)
Profit before taxation		444	337
Tax on profit	9	(84)	(64)
Profit after taxation		360	273
Other comprehensive (loss)/income			
Items that will or may be reclassified to profit or loss			
Effective portion of fair value changes in cash flow hedges	17	(2,738)	(928)
Tax recognised in relation to change in fair value cash flow hedges	9	688	158
Other comprehensive (loss) for the year		(2,050)	(770)
Total comprehensive (loss) for the year		(1,690)	(497)
Total comprehensive (loss) for the year is attributable to:			
Owners of the parent		(1,217)	(358)
Non-controlling interests		(473)	(139)
		(1,690)	(497)

The notes on pages 13 to 25 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 March 2020

	Note	2020 £000	2019 £000
Current assets			
Debtors due in less than one year	11	4,054	1,646
Debtors due after more than one year	11	53,490	56,877
Cash at bank and in hand		3,843	3,626
		61,387	62,149
Creditors: amounts falling due within one year	12	(8,556)	(8,366)
Net current assets		52,831	53,783
Creditors: amounts falling due after more than one year	13	(61,215)	(60,477)
Net liabilities		(8,384)	(6,694)
Capital and reserves			
Called up share capital	16	7	7
Profit and loss account	16	443	184
Cash flow hedge reserve	16	(8,220)	(6,744)
Total shareholders' deficit		(7,770)	(6,553)
Non-controlling interests		(614)	(141)
Total capital employed		(8,384)	(6,694)

The notes on pages 13 to 25 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 6th Nov 2020 and were signed on its behalf by:

M G D Holden

Director

One Bartholomew Close
Barts Square
London
EC1A 4TR

COMPANY BALANCE SHEET
As at 31 March 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	10	3,950	4,366
Current assets			
Debtors	11	237	263
Creditors: amounts falling due within one year	12	(513)	(574)
Net current liabilities		(276)	(311)
Total assets less current liabilities		3,674	4,055
Creditors: amounts falling due after more than one year	13	(3,667)	(4,048)
Net assets		7	7
Capital and reserves			
Called up share capital	16	7	7
Profit and loss account		-	-
Total shareholders' funds		7	7

The notes on pages 13 to 25 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 6 ll Nov 2020 and were signed on its behalf by:

M G D Holden
Director

One Bartholomew Close
Barts Square
London
EC1A 4TR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of parent					
	Called up share capital £'000	**Cash flow hedge reserve £'000**	**Profit and loss account £'000**	**Total £'000**	**Non-controlling interests £'000**	**Total Equity £'000**
Balance at 1 April 2018	7	(6,189)	(13)	(6,195)	(2)	(6,197)
Total comprehensive expense for the year						
Loss for the financial year		-	197	197	76	273
Other comprehensive income	-	(555)	-	(555)	(215)	(770)
Total comprehensive (expense)/income for the year	-	(555)	197	(358)	(139)	(497)
Balance at 31 March 2019	7	(6,744)	184	(6,553)	(141)	(6,694)

	Attributable to owners of parent					
	Called up share capital £'000	**Cash flow hedge reserve £'000**	**Profit and loss account £'000**	**Total £'000**	**Non-controlling interests £'000**	**Total Equity £'000**
Balance at 1 April 2019	7	(6,744)	184	(6,553)	(141)	(6,694)
Total comprehensive expense for the year						
Profit for the financial year	-	-	259	260	101	360
Other comprehensive expense	-	(1,476)	-	(1,476)	(574)	(2,050)
Total comprehensive (expense)/income for the year	-	(1,476)	259	(1,217)	(473)	(1,690)
Balance at 31 March 2020	7	(8,220)	443	(7,770)	(614)	(8,384)

The notes on pages 13 to 25 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Called up share capital £'000	Profit and loss account £'000	Total Shareholders' Funds £'000
Balance at 1 April 2018	7	-	7
Total comprehensive income for the period			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	-
Balance at 31 March 2019	7	-	7

	Called up share capital £'000	Profit and loss account £'000	Total Shareholders' Funds £'000
Balance at 1 April 2019	7	-	7
Total comprehensive income for the period			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	-
Balance at 31 March 2020	7	-	7

The notes on pages 13 to 25 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

S&W TLP (PSP Two) Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England and Wales, UK. Its principal activity is to act as a holding company for its subsidiary, S&W TLP (Hold Co One) Limited. The principal activity of S&W TLP (Project Co One) Limited is the finance, design and construction, refurbishment and operation of education facilities under the Government's Private Finance Initiative ("PFI") for Salford City Council ("the Authority").

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")* and the Companies Act 2006. The presentation currency of these financial statements is sterling. Amounts are rounded to the nearest £1,000.

In these financial statements the Group is considered to be a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS102 for the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1; and

The Group is exempt from preparing a cash flow statement on the grounds of its size.

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

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 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.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2020. The purchase 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 consolidated profit and loss account from the date of acquisition or up to the date of disposal. All intra-group transactions and balances are eliminated on consolidation.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The parent Company made a profit of £Nil in the period (2019: £Nil).

Notes to the Financial Statements *(continued)*

1 Accounting Policies *(Continued)*

1.2 Going concern

Group had net liabilities of £8,384,000 (2019: £6,694,000) as at 31 March 2020 and generated a profit for the year then ended of £360,000 (2019: £273,000). The liabilities are primarily due to the cashflow hedge reserve.

The Directors have prepared cash flow forecasts covering a period of 17 months from the date of approval of these financial statements through to 31 March 2022 which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Education

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

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

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

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

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

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

1.3 Classification of financial instruments issued by the group

In accordance with FRS 102.22 financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

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

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

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

Notes to the Financial Statements *(continued)*

1 Accounting Policies *(Continued)*

1.4 Basic financial instruments

Trade and other debtors / creditors

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

Restricted cash

The Group is obliged to keep a separate cash reserve in respect of future major maintenance costs and financing cost. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance amounts to £1,305,000 at the year end (2019: £968,000).

1.5 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 below,

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement 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 (see below).

Cash flow hedges

The Group has entered into an interest rate swap and designated this as a hedge of a 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 gain or loss recognised in equity is recognised in the income statement immediately.

Notes to the Financial Statements *(continued)*

1 Accounting Policies *(Continued)*

1.6 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 value 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 value and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continued 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 is reversed through the profit or loss.

In the separate accounts of the company, interests in subsidiaries are measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries, are assessed for impairment at each reporting date. Any impairments, losses or reversals of impairment losses are recognised immediately in profit or loss.

1.7 Finance debtor and services income

The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Group under old UK GAAP because the risks and rewards of ownership as set out in the standard are deemed to lie principally with Salford City Council.

The Agreement is for a term of 25 years and was entered into with Salford City Council (the"Authority") to construct, operate and maintain Education facilities. At 31 March 2020 it is in year 9 of the project term. Operation and maintenance of the facilities are outsourced to a third party (the "Sub-contractor") under contractual arrangements that provide certainty over the level of costs to be incurred by the Group. The maintenance risk ultimately lies with the Sub-contractor and is invoiced monthly in accordance with a schedule of lifecycle costs. The sub-contractor for the Group is SPIE Ltd. The base fee per the sub-contractor contract is fixed and allows for an inflationary increase each year. The unitary charge per the agreement with the Authority is a fixed base fee and allows for an inflationary increase each year. The Contract entitles the Authority to a share in any savings made by the company on the actual insurance premiums incurred versus those assumed during the contract negotiations. Any savings are shared with the Authority on a biennial basis.

The Authority is also entitled under the Agreement to voluntarily terminate the contract by providing a six months' written notice to the Group. On termination, the Group is entitled to a termination compensation as defined within the Agreement.

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.

During the construction phase of the project, all attributable expenditure, excluding interest, was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the financial 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)*

1.7 Finance debtor and services income (continued)

Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

1.8 Expenses

Interest receivable and Interest payable

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

Interest receivable and similar income includes 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.

1.9 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year,, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences, which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. 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 balance sheet date. Deferred tax balances are not discounted.

2 Critical accounting judgements and estimation uncertainty

There are currently no estimates or judgements within these statements.

3 Analysis of turnover

	2020 £000	2019 £000
Services income	3,066	2,643

All profits arising in the UK

Notes to the Financial Statements *(continued)*

4 Auditors remuneration

	Group	Group
	2020	**2019**
	£000	**£000**
Audit of these financial statements	2	1
Audit of subsidiary financial statements	23	21
Taxation Compliance	6	5

Auditor's remuneration is borne by S&W TLP Education Partnership Limited on behalf of the Group under the terms of the management services agreement. For the audit, this amounted to £36,900 (2019: £22,400) and £6,000 (2019: £5,000) for tax.

5 Remuneration of directors

The directors are remunerated by S&W TLP Education Partnership Limited for their services to the group as a whole. This amounted to £65,000 in the period (2019: £26,000).

6 Staff numbers and costs

The Group had no employees during the year under review (2019: none).

7 Interest receivable and similar income

	2020	2019
	£000	**£000**
Finance debtor interest	4,243	4,362
	4,243	4,362

8 Interest payable and similar expenses

	2020	2019
	£000	**£000**
Interest on bank loans	3,351	3,468
Interest on subordinated debt	691	738
	4,042	4,206

Of the above £691,000 (2019: £738,000) was payable to related undertakings.

Notes to the Financial Statements (*continued)*

9 Taxation

	2020 £000	2019 £000
Total tax recognised in the profit and loss account and other comprehensive income		
Corporation tax	84	64
Total current tax	84	64
Deferred tax (see note 15)		
Tax Losses utilised	-	-
Deferred tax on derivatives	(688)	(158)
Total deferred tax	(688)	(158)
Total tax	(604)	(94)

	2020 £000	2019 £000
Profit before taxation	444	337
Expected tax using the UK Corporation tax rate of 19% (2019: 19%)	84	64
Total tax expense included in profit or loss	84	64

Reconciliation of effective tax rate

	2020			2019		
	Current Tax £'000	Deferred Tax £'000	Total Tax £'000	Current Tax £'000	Deferred Tax £'000	Total Tax £'000
Recognised in Profit and loss account	84	-	84	64	-	64
Recognised directly in other comprehensive income	-	(688)	(688)	-	(158)	(158)
Total Tax	84	(688)	(604)	64	(158)	(94)

Factors that may affect future current and total tax charges

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

Notes to the Financial Statements *(continued)*

10 Fixed Asset Investments

Company	Equity £000	Sub debt £000	Total £000
At 1 April 2019	7	4,359	4,366
Repayment of sub debt	-	(416)	(416)
At 31 March 2020	7	3,943	3,950

The undertakings in which one Company's interest at the year-end is more than 20% are as follows:

Company	Registered Office	Ordinary Shares held	%
Directly held			
S&W TLP (Hold Co One) Limited	46-48 Charles Street Cardiff CF10 2GE	7,200	72%
Indirectly held			
S&W TLP (Project Co One) Limited	46-48 Charles Street Cardiff CF10 2GE	7,200	72%

11 Debtors

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Finance debtor	55,253	-	56,924	-
Trade debtors	6	-	-	-
Prepayments and accrued income	149	237	151	263
Deferred tax asset (note 15)	2,136	-	1,448	-
	57,544	237	58,523	263

Debtors include a financial debtor of £53,490,000 (2019: £56,877,000) due after more than one year.

Notes to the Financial Statements *(continued)*

12 Creditors: amounts falling due within one year

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Bank loans and overdrafts	2,426	-	2,439	-
Subordinated debt	273	276	431	311
Trade creditors	358	-	337	-
Other tax and social security creditors	333	-	383	-
Corporation tax	75	-	64	-
Accruals and deferred income	5,091	237	4,712	263
	8,556	513	8,366	574

13 Creditors: amounts falling due after more than one year

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Bank loans and overdrafts	52,508	-	54,935	-
Debt issue costs	(7,617)	-	(8,464)	-
Subordinated debt	5,204	3,667	5,623	4,048
Other financial instruments	11,120	-	8,383	-
	61,215	3,667	60,477	4,048

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Analysis of debt: (excluding interest)				
Debt can be analysed as falling due:				
In one year or less, or on demand	2,699	276	2,870	311
- Between one and two years	2,435	24	2,462	28
- Between two and five years	7,582	41	7,369	45
- In five years or more	47,695	3,602	50,727	3,975
	60,411	3,943	63,428	4,359

Notes to the Financial Statements (*continued*)

14 Interest bearing loans and borrowings

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

	2020 £000	2019 £000
Creditors falling due more than one year		
Bank loan	52,508	54,935
Subordinated debt	5,204	5,623
Creditors falling due within less than one year		
Bank loan	2,426	2,439
Subordinated debt	273	431

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment	2020 £000	2019 £000
Bank Loan	GBP	Libor + 1.6%	2036	Semi annual	54,934	57,374
Subordinated Debt	GBP	12%	2036	Semi annual	5,477	6,054

Bank loans are secured by fixed and floating charges over the assets of the Group. The Group has entered into swap contracts for the period 12 May 2017 to 30 September 2036 covering all of the debt projected to be drawn down which hedges the Group's interest rate exposure on bank loans. The bank loans are repayable in six monthly instalments commencing on 31 March 2012 and end on 30 September 2036. The facility is subject to certain financial and non-financial covenants.

Bank loans bear interest based on LIBOR plus a margin of 1.6% following refinancing (LIBOR plus 2.72% prior to refinancing).

The index-linked subordinated unsecured loan stock issued to the Group bears interest at 12% and is redeemable on 30 September 2036. The subordinated debt is repayable in six monthly instalments which commenced on 31 March 2012.

15 Deferred tax

Deferred tax is recognised on the revaluation of the interest rate swap held by the group. These are accounted for under cash flow hedges (see note 17).

Deferred tax is provided at 19% (2019: 17%) in the financial statements as follows:

	2020 £000	2019 £000
Tax losses	-	23
Deferred tax on revaluation of fair value of derivatives	2,136	1,425
	2,136	1,448

Notes to the Financial Statements (*continued)*

16 Called up share capital

Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
7,200 (2019: 7,200) ordinary shares at £1 each	7	7

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

Cash flow hedge reserve

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

Profit and Loss reserve

Reserves consist of profits after deductions for distributions to shareholders.

17 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2020 £000	2019 £000
Assets measured at amortised cost		
- Finance debtor	55,253	56,924
- Trade debtors	6	-
	55,259	56,924
Assets measured at cost less impairment		
- Cash and cash equivalents	3,843	3,626
Liabilities measured at amortised cost		
- Trade creditors	(358)	(337)
- Accruals and deferred income	(5,091)	(4,712)
- Bank loan	(54,934)	(57,374)
- Subordinated debt	(5,477)	(6,054)
	(65,860)	(68,477)
Liabilities measured at fair value through profit and loss		
- Interest rate swap	(11,121)	(8,383)

Notes to the Financial Statements *(continued)*

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of the interest rate swap 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.

(c) Hedge accounting

The cashflows on loan and interest rate swaps are paid semi-annually on 31 March and 30 September each year and expire in September 2036.

The Group has entered into an interest rate swap agreement under the bank loan which expires in August 2036. A fixed rate of 4.445% applies to 50% of the original loan (£25,242,170) plus a margin, as well as a swap agreement for the balance of the loan (£26,081,771), which expires in September 2036. A fixed rate of 1.537% applies, plus a margin. The interest rate swap converts the borrowings from the rates linked to LIBOR to a fixed rate.

(d) Fair values

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

	2020 £000	2019 £000
Interest rate swap contract	11,121	8,383

18 Related party disclosures

Name of related party	Relationship	Type Transaction	Transactions		Balance owed to/(from) at year end	
			2020 £000	2019 £000	2020 £000	2019 £000
S&W TLP (Hold Co One) Limited	Subsidiary	Shareholder Loan and Interest	(1,964)	(978)	(5,807)	(6,420)
Infrastructure Investments Limited Partnership	Shareholders parent undertaking	Shareholder Loan and Interest	1,414	704	4,181	4,622
S&W TLP Education Partnership Limited	Shareholder of Subsidiary	Shareholder Loan and Interest	196	98	580	642
Salford City Council	Shareholder of Subsidiary	Shareholder Loan and Interest	177	88	523	578
Building Schools for the Future Investments LLP	Shareholder of Subsidiary	Shareholder Loan and Interest	177	88	523	578

Notes to the Financial Statements *(continued)*

19 Ultimate parent undertaking

The immediate parent undertaking of the Company is Infrastructure Investment Holdings Limited registered at Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL and the ultimate controlling party is HICL Infrastructure Plc incorporated in the United Kingdom. Copies of these financial statements can be obtained from its registered office Level 7, One Bartholomew Close, Barts Square, London, EC1A 7BL.