

**S&W TLP (PSP Two) Limited**

**Annual Report and Financial Statements  
Registered No: 07028475**

**31 March 2018**

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**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

R W Driver  
M G D Holden  
A E Kinghorn

**COMPANY SECRETARY**

Emily Mendes

**REGISTERED OFFICE**

12 Charles II Street  
London  
SW1Y 4QU

**GROUP BANKERS**

Nationwide Building Society  
Kings Park Road  
Moulton Park  
Northampton  
NN3 6NW

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 2018.

## **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 (2017: £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 2018, deductions of £38,000 (2017: £165,000) had been levied which represents 1.6% (2017: 8%) 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 2018, the Group's performance against this measure was satisfactory.

## **GOING CONCERN**

The Directors have reviewed the budget for the foreseeable future, and have considered the projected cash flows based on the contractual receipts and payments of cash. They project that the loan covenant terms will be met for the foreseeable future. Having considered the risks and uncertainties of the business, their projections for the future performance of the Group, and the current uncertain economic environment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **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  
A E Kinghorn - resigned 04/09/2018

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year.

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

### **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.

### **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:

#### *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.

#### *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.

### **STRATEGIC REPORT EXEMPTION**

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

**DIRECTORS' REPORT (CONTINUED)**

**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:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

M G D Holden  
Director

46 Charles Street  
Cardiff  
CF10 2GE

Date: 4<sup>th</sup> October 2018

## **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 2018**

**Opinion**

We have audited the financial statements of S&W TLP (PSP Two) Limited ("the company") for the year ended 31 March 2018 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, Consolidated Statement of Cash Flows 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 2018 and of the group's loss 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**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**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.



**Independent auditor's report to the members of S & W TLP (PSP Two) Limited (continued)**  
**Year ended 31 March 2018**

**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](http://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.



**Richard Lomax (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

12 October 2018

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**For the year ended 31 March 2018**

	Note	2018 £000	2017 £000
<b>Turnover</b>	3	2,366	2,063
Cost of sales		(2,235)	(1,567)
		<hr/>	<hr/>
<b>Gross profit</b>		131	496
Administrative expenses		(353)	(365)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>	4 - 6	(222)	131
Interest receivable and similar income	7	4,473	4,581
Interest payable and similar expenses	8	(4,371)	(4,555)
		<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>		(120)	157
Tax on (loss)/profit	9	23	(31)
		<hr/>	<hr/>
<b>(Loss)/profit after taxation</b>		(97)	126
		<hr/>	<hr/>
<b>Other comprehensive income/(loss)</b>			
Items that will or may be reclassified to profit or loss			
Effective portion of fair value changes in cash flow hedges	17	1,396	(243)
Tax recognised in relation to change in fair value cash flow hedges	9	(237)	(44)
		<hr/>	<hr/>
Other comprehensive income/(loss) for the year		1,159	(287)
		<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year</b>		1,062	(161)
		<hr/>	<hr/>
<b>Total comprehensive income(loss) for the year is attributable to:</b>			
Owners of the parent		765	(116)
Non-controlling interests		297	(45)
		<hr/>	<hr/>
		1,062	(161)
		<hr/>	<hr/>

The notes on pages 14 to 26 form an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET**  
*As at 31 March 2018*

	Note	2018 £000	2017 £000
<b>Current assets</b>			
Debtors due in less than one year	11	3,919	3,422
Debtors due after more than one year	11	56,090	58,451
Cash at bank and in hand		3,046	2,331
		<hr/>	<hr/>
		63,055	64,204
<b>Creditors:</b> amounts falling due within one year	12	(7,474)	(6,095)
		<hr/>	<hr/>
<b>Net current assets</b>		55,581	58,109
<b>Creditors:</b> amounts falling due after more than one year	13	(61,778)	(65,368)
		<hr/>	<hr/>
<b>Net liabilities</b>		(6,197)	(7,259)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	7	7
Profit and loss account		(13)	57
Cash flow hedge reserve		(6,189)	(7,024)
		<hr/>	<hr/>
<b>Total shareholders' deficit</b>		(6,195)	(6,960)
Non-controlling interests		(2)	(299)
		<hr/>	<hr/>
<b>Total capital employed</b>		(6,197)	(7,259)
		<hr/>	<hr/>

The notes on pages 14 to 26 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 9<sup>th</sup> October 2018 and were signed on its behalf by:

  
M G D Holden  
Director

12 Chares II Street  
London  
SW1Y 4QU

**COMPANY BALANCE SHEET**  
As at 31 March 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Investments	10	4,609	4,977
<b>Current assets</b>			
Debtors	11	583	297
<b>Creditors: amounts falling due within one year</b>	12	(625)	(348)
<b>Net current liabilities</b>		(42)	(51)
<b>Total assets less current liabilities</b>		4,567	4,926
<b>Creditors: amounts falling due after more than one year</b>	13	(4,560)	(4,919)
<b>Net assets</b>		7	7
<b>Capital and reserves</b>			
Called up share capital	16	7	7
Profit and loss account		-	-
<b>Total shareholders' funds</b>		7	7

The company has declared no profit for the year (2017: £nil)

The notes on pages 14 to 26 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 9th October 2018 and were signed on its behalf by:



M G D Holden  
Director

12 Chares II Street  
London  
SW1Y 4QU

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the year ended 31 March 2018*

	Attributable to owners of parent				Non-controlling interests £'000	Total Equity £'000
	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000		
Balance at 1 April 2016	7	(6,817)	(34)	(6,844)	(254)	(7,098)
<b>Total comprehensive expense for the year</b>						
Profit for the financial year	-	-	91	91	35	126
Other comprehensive expense	-	(207)	-	(207)	(80)	(287)
	<u>-</u>	<u>(207)</u>	<u>-</u>	<u>(207)</u>	<u>(80)</u>	<u>(287)</u>
Total comprehensive expense for the year	-	(207)	91	(116)	(45)	(161)
	<u>-</u>	<u>(207)</u>	<u>91</u>	<u>(116)</u>	<u>(45)</u>	<u>(161)</u>
<b>Balance at 31 March 2017</b>	<b>7</b>	<b>(7,024)</b>	<b>57</b>	<b>(6,960)</b>	<b>(299)</b>	<b>(7,259)</b>
	<u><u>7</u></u>	<u><u>(7,024)</u></u>	<u><u>57</u></u>	<u><u>(6,960)</u></u>	<u><u>(299)</u></u>	<u><u>(7,259)</u></u>

	Attributable to owners of parent				Non-controlling interests £'000	Total Equity £'000
	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000		
Balance at 1 April 2017	7	(7,024)	57	(6,960)	(299)	(7,259)
<b>Total comprehensive expense for the year</b>						
Profit/(loss) for the financial year	-	-	(70)	(70)	(27)	(97)
Other comprehensive expense	-	835	-	835	324	1,159
	<u>-</u>	<u>835</u>	<u>-</u>	<u>835</u>	<u>324</u>	<u>1,159</u>
Total comprehensive expense for the year	-	835	(70)	765	297	1,062
	<u>-</u>	<u>835</u>	<u>(70)</u>	<u>765</u>	<u>297</u>	<u>1,062</u>
<b>Balance at 31 March 2018</b>	<b>7</b>	<b>(6,189)</b>	<b>(13)</b>	<b>(6,195)</b>	<b>(2)</b>	<b>(6,197)</b>
	<u><u>7</u></u>	<u><u>(6,189)</u></u>	<u><u>(13)</u></u>	<u><u>(6,195)</u></u>	<u><u>(2)</u></u>	<u><u>(6,197)</u></u>

The notes on pages 14 to 26 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2018*

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total Shareholders' Funds £'000</b>
Balance at 1 April 2016	7	-	7
<b>Total comprehensive income for the period</b>			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2017</b>	<b>7</b>	<b>-</b>	<b>7</b>
	<hr/>	<hr/>	<hr/>

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total Shareholders' Funds £'000</b>
Balance at 1 April 2017	7	-	7
<b>Total comprehensive income for the period</b>			
Result for the financial year	-	-	-
Other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2018</b>	<b>7</b>	<b>-</b>	<b>7</b>
	<hr/>	<hr/>	<hr/>

The notes on pages 14 to 26 form part of these financial statements.

**Consolidated Statement of Cash Flows**  
for the year ended 31 March 2018

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cashflows from operating activities</b>		
(Loss)/profit for the year	(97)	126
Adjustments for		
- interest receivable and similar income	(4,473)	(4,581)
- interest payable and similar expenses	4,371	4,555
- taxation	(23)	31
	<b>(222)</b>	<b>131</b>
Decrease in debtors	1,853	915
Increase in creditors	464	584
Tax paid	(18)	(1)
<b>Net cash flow from operating activities</b>	<b>2,077</b>	<b>1,629</b>
<b>Cashflow from investing activities</b>		
Interest received	4,489	4,581
<b>Net cash from investing activities</b>	<b>4,489</b>	<b>4,581</b>
<b>Cashflows from financing activities</b>		
Repayment of shareholder loan	(511)	(70)
Repayment of bank loan	(956)	(1,620)
Interest paid	(4,384)	(4,997)
<b>Net cash from financing activities</b>	<b>(5,851)</b>	<b>(6,687)</b>
Net (decrease) /increase in cash	715	(477)
Cash and cash equivalents at 1 April	2,331	2,808
<b>Cash and cash equivalents at 31 March</b>	<b>3,046</b>	<b>2,331</b>

The notes on pages 14 to 26 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, 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 parent company 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
- Cash Flow Statements and related notes.
- 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.

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 2018. 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 (2017: £Nil).

#### 1.2 Going concern

The Group has net liabilities of £6,197,000 (2017:£7,257,000) primarily due to the interest rate swap which is out of the money. The Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2036. Having examined the current status of the Group's principal contracts and likely developments in the foreseeable future, the Directors consider that the Group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.



## Notes to the Financial Statements (*continued*)

### 1 Accounting Policies (*Continued*)

#### 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.

#### 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 £668,000 at the year end (2017: £471,000).

#### 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,

## Notes to the Financial Statements (*continued*)

### 1 Accounting Policies (*Continued*)

#### 1.5 Other financial instruments (*Continued*)

##### *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.

#### 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.

## Notes to the Financial Statements (*continued*)

### 1 Accounting Policies (*Continued*)

#### 1.7 Finance debtor and services income

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.

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.

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.

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.

## Notes to the Financial Statements (*continued*)

### 2 Critical accounting judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis on making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Company's accounting policies are described below:

- Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.
- The Group uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Group fair values its derivative financial instruments and records the fair value of those on its balance sheet.

### 3 Analysis of turnover

	2018 £000	2017 £000
Services income	2,366	2,063
	<hr/>	<hr/>

All profits arising in the UK

### 4 Auditors remuneration

	Group 2018 £000	Group 2017 £000
Audit of these financial statements	12	11
Taxation Compliance	4	4
	<hr/>	<hr/>

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 £12,300 (2017: £10,750) and £4,000 (2017: £3,800) for tax. These amounts (included within the Management Services Agreement fee) were capitalised within amounts recoverable on long term contracts until service commencement.

### 5 Remuneration of directors

The company had no employees during the current and the prior financial year. The directors are remunerated by S&W TLP Education Partnership Limited for the services to the group as a whole. This amounted to £25,000 in the period (2017: £24,000)

## Notes to the Financial Statements (*continued*)

### 6 Staff numbers and costs

The Group had no employees during the year under review (2017: none).

### 7 Interest receivable and similar income

	2018 £000	2017 £000
Bank Interest	1	6
Finance Debtor Interest	4,472	4,575
	<u>4,473</u>	<u>4,581</u>

### 8 Interest payable and similar expenses

	2018 £000	2017 £000
Interest on bank loans	3,562	3,724
Interest on subordinated debt	809	831
	<u>4,371</u>	<u>4,555</u>

Of the above £809,000 (2017: £831,000) was payable to group undertakings.

### 9 Taxation

	2018 £000	2017 £000
<i>Total tax recognised in the profit and loss account, other comprehensive income and equity</i>		
Adjustment to prior period	-	2
Corporation tax	-	18
Total current tax	-	20
Deferred tax (see note 15)		
Adjustments to prior period	-	(1)
Origination/reversal of timing differences	-	-
Tax Losses utilised	(23)	12
Deferred tax on derivatives	237	44
	<u>237</u>	<u>55</u>
Total deferred tax	237	55
	<u>214</u>	<u>75</u>
Total tax	<u>214</u>	<u>75</u>

## Notes to the Financial Statements (*continued*)

### 9 Taxation (*continued*)

#### *Reconciliation of effective tax rate*

	2018 £000	2016 £000
(Loss)/Profit before taxation	(120)	157
Expected tax using the UK Corporation tax rate of 19% (2017: 20%)	(23)	31
Total tax expense included in profit or loss	<u>(23)</u>	<u>31</u>

	Current Tax £'000	2018 Deferred Tax £'000	Total Tax £'000	Current Tax £'000	2017 Deferred Tax £'000	Total Tax £'000
Recognised in Profit and loss account	-	(23)	(23)	20	11	31
Recognised directly in other comprehensive income	-	237	237	-	44	44
Total Tax	<u>-</u>	<u>214</u>	<u>214</u>	<u>20</u>	<u>55</u>	<u>75</u>

#### *Factors that may affect future current and total tax charges*

Reductions in the UK Corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

### 10 Fixed Asset Investments

Company	Equity	Sub debt	Total
At 1 April 2017	7	4,970	4,977
Repayment of sub debt	-	(368)	(368)
At 31 March 2018	<u>7</u>	<u>4,602</u>	<u>4,609</u>

## Notes to the Financial Statements (*continued*)

### 10 Fixed Asset Investments (*continued*)

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	Company	Group	Company
	2018 £000	2018 £000	2017 £000	2017 £000
Finance debtor	58,446	-	59,859	-
Trade debtors	125	-	134	-
Corporation tax	-	-	-	-
Prepayments and accrued income	147	583	375	297
Deferred tax asset (note 15)	1,291	-	1,505	-
	<u>60,009</u>	<u>583</u>	<u>61,873</u>	<u>297</u>

Debtors include a financial debtor of £56,090,000 (2017: £58,451,000) due after more than one year.

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

	Group	Company	Group	Company
	2018 £000	2018 £000	2017 £000	2017 £000
Bank loans and overdrafts	2,424	-	1,679	-
Subordinated debt	97	42	71	51
Trade creditors	363	-	490	-
Other tax and social security creditors	342	-	348	-
Corporation tax	-	-	13	-
Accruals and deferred income	4,248	583	3,492	297
	<u>7,474</u>	<u>625</u>	<u>6,093</u>	<u>348</u>

## Notes to the Financial Statements (*continued*)

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

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Bank loans and overdrafts	48,029	-	49,686	-
Subordinated debt	6,294	4,560	6,831	4,919
Other financial instruments	7,455	-	8,851	-
	<hr/>	<hr/>	<hr/>	<hr/>
	61,778	4,560	65,368	4,919
	<hr/>	<hr/>	<hr/>	<hr/>
	 Group 2018 £000	 Company 2018 £000	 Group 2017 £000	 Company 2017 £000
Analysis of debt:				
Debt can be analysed as falling due:				
In one year or less, or on demand	2,521	42	1,750	51
- Between one and two years	3,436	37	1,731	47
- Between two and five years	7,410	88	5,276	99
- In five years or more	43,477	4,435	49,510	4,773
	<hr/>	<hr/>	<hr/>	<hr/>
	56,844	4,602	58,267	4,970
	<hr/>	<hr/>	<hr/>	<hr/>

### 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.

	2018 £000	2017 £000
<b>Creditors falling due more than one year</b>		
Bank loan	57,368	49,686
Subordinated debt	6,294	6,831
	<hr/>	<hr/>
<b>Creditors falling due within less than one year</b>		
Bank loan	2,424	1,679
Subordinated debt	97	71
	<hr/>	<hr/>

During the year, the Group increased its bank borrowings by £9,819,000 following refinancing. New arrangement fees of £9,339,000 have been capitalised against the value of the debt and will be amortised to give a constant effective interest rate over the life of the debt.



## Notes to the Financial Statements (*continued*)

### 14 Interest bearing loans and borrowings (*continued*)

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment	2018 £000	2017 £000
<b>Bank Loan</b>	GBP	Libor + 1.6%	2035	Semi annual	59,792	51,365
<b>Subordinated Debt</b>	GBP	12%	2036	Semi annual	6,301	8,902

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 2035 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 2035. 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 17% (2017: 17%) in the financial statements as follows:

	2018 £000	2017 £000
Tax losses	23	-
Deferred tax on revaluation of fair value of derivatives	1,268	1,505
	<u>1,291</u>	<u>1,505</u>

### 16 Called up share capital

Share capital	2018 £000	2017 £000
<b><i>Allotted, called up and fully paid</i></b>		
7,200 (2017: 7,200) ordinary shares at £1 each	<u>7</u>	<u>7</u>

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.

## Notes to the Financial Statements (*continued*)

### 17 Financial instruments

#### (a) *Carrying amount of financial instruments*

The carrying amounts of the financial assets and liabilities include:

	2018 £000	2017 £000
Assets measured at amortised cost		
- Finance debtor	58,446	59,859
- Trade and other debtors	125	134
	<u>58,571</u>	<u>59,993</u>
Assets measured at cost less impairment		
- Cash and cash equivalents	3,046	2,331
Liabilities measured at amortised cost		
- Trade and other payables	(363)	(490)
- Accruals and deferred income	(4,248)	(3,492)
- Bank loan	(50,453)	(51,365)
- Subordinated debt	(6,391)	(6,902)
	<u>(61,455)</u>	<u>(62,249)</u>
Liabilities measured at fair value through profit and loss		
- Interest rate swap	(7,455)	(8,851)
	<u>(7,455)</u>	<u>(8,851)</u>

#### (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.

## Notes to the Financial Statements *(continued)*

### **(c) Hedge accounting**

The following table indicates the periods 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.

<b>2018</b>					
	<b>Carrying Amount</b>	<b>Within 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>5 years and over</b>
Interest Rate Swap	7,455	358	360	1,075	5,662
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>2017</b>					
	<b>Carrying Amount</b>	<b>Within 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>5 years and over</b>
Interest Rate Swap	8,851	425	427	1,276	6,723
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The group has entered into an interest rate swap agreement under the bank loan which expires in August 2035. A fixed rate of 4.445% applies to 50% of the original loan (£25,242,170) plus a margin. Following the refinancing during the year, the Company entered into a new swap agreement for the balance of the loan, which expires in September 2035. 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:

	<b>2018 £000</b>	<b>2017 £000</b>
Interest rate swap contract	7,455	8,851
	<hr/>	<hr/>

**Notes to the Financial Statements (continued)**

**18 Related party disclosures**

Name of related party	Relationship	Type Transaction	Transactions		Balance owed to/(from) at year end	
			2018 £000	2017 £000	2018 £000	2017 £000
S&W TLP (Hold Co One) Limited	Subsidiary	Shareholder Loan and Interest	(362)	(648)	(4,602)	(5,267)
Infrastructure Investments Limited Partnership	Shareholders parent undertaking	Shareholder Loan and Interest	362	648	4,602	5,267
S&W TLP Education Partnership Limited	Shareholder of Subsidiary	Shareholder Loan and Interest	206	249	511	732
Salford City Council	Shareholder of Subsidiary	Shareholder Loan and Interest	51	81	639	658
Building Schools for the Future Investments LLP	Shareholder of Subsidiary	Shareholder Loan and Interest	51	81	639	658

**19 Ultimate parent undertaking**

The immediate parent undertaking of the Company is Infrastructure Investment Holdings Limited registered at 12 Charles II Street, London, SW1Y 4QU and the ultimate controlling party is HICL Infrastructure Company Limited, a company incorporated in Guernsey. Copies of these financial statements can be obtained from its registered office at East Wing, Trafalgar Court, Les Banques, St Peter Port, GY1 3PP, Guernsey.