

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

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

**31 March 2021**



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**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

R W Driver - resigned 16<sup>th</sup> June 2021  
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  
66 Queen Street  
Bristol  
BS1 4BE

## **DIRECTORS' REPORT**

The Directors present their annual report for S&W TLP (PSP Two) Limited for the year ended 31 March 2021.

## **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**

Dividends of £800,000 were paid during the year (2020: nil).

## **Political contributions**

The Company made no political donations or incurred any political expenditure during the year.

## **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 2021, deductions of £1,000 (2020: £12,000) had been levied which represents 0.03% (2020: 0.4%) 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 2021, 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                      resigned 16<sup>th</sup> June 2021  
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.

*Brexit risk*

The Group is exposed to Brexit risk as a result of the impact of the trade deal between the UK and the European Union. 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 cost of supplies. Performance risk under the Project Agreement and related contracts are 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 continue 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 are 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 continue to actively monitor developments.

*Climate change risk*

The Group is in the early stages of assessing the impact of climate change on the business. Initial assessments have not identified any climate change impact that would affect the going concern assumption.

*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.

## **DIRECTORS' REPORT (*continued*)**

### *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.

### **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 2021, 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:

*Mark Holden*

M G D Holden  
Director

One Bartholomew Close  
Barts Square  
London  
EC1A 7BL

Date: 29 September 2021

## **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 group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company 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 its profit or loss for that period. In preparing the 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2021**

**Opinion**

We have audited the financial statements of S&W TLP (PSP Two) Limited ("the company") for the year ended 31 March 2021 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 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *The Financial Reporting Standards 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.



**Independent auditor's report to the members of S & W TLP (PSP Two) Limited (continued)**  
**Year ended 31 March 2021**

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent turnover recognition, in particular profit is inappropriately recognised on costs unrelated to the service concession contract and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Recalculating service revenue based upon the costs incurred which relate to provision of services under the concession contract using the mark-up determined in the financial forecasts and compared this to the amounts recorded.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**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 2021**

**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 in preparing the directors' report and 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.



**Joseph Long (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
66 Queen Square  
Bristol  
BS1 4BE

29 September 2021

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**For the year ended 31 March 2021**

	Note	2021 £000	2020 £000
<b>Turnover</b>	3	3,309	3,066
Cost of sales		(2,888)	(2,464)
<b>Gross profit</b>		421	602
Administrative expenses		(189)	(359)
<b>Operating profit</b>	4 - 6	232	243
Interest receivable and similar income	7	4,115	4,243
Interest payable and similar expenses	8	(3,840)	(4,042)
<b>Profit before taxation</b>		507	444
Tax on profit	9	(96)	(84)
<b>Profit after taxation</b>		411	360
<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	3,182	(2,738)
Tax recognised in relation to change in fair value cash flow hedges	9	(604)	688
Other comprehensive income/(loss) for the year		2,578	(2,050)
<b>Total comprehensive income/(loss) for the year</b>		2,989	(1,690)
<b>Total comprehensive income/(loss) for the year is attributable to:</b>			
Owners of the parent		2,152	(1,217)
Non-controlling interests		837	(473)
		2,989	(1,690)

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

**CONSOLIDATED BALANCE SHEET**  
*As at 31 March 2021*

	Note	2021 £000	2020 £000
<b>Current assets</b>			
Debtors due in less than one year	11	4,459	4,054
Debtors due after more than one year	11	51,584	53,490
Cash at bank and in hand		3,031	3,843
		<u>59,074</u>	<u>61,387</u>
<b>Creditors:</b> amounts falling due within one year	12	(9,266)	(8,556)
		<u>49,808</u>	<u>52,831</u>
<b>Net current assets</b>			
<b>Creditors:</b> amounts falling due after more than one year	13	(56,003)	(61,215)
		<u>(6,195)</u>	<u>(8,384)</u>
<b>Net liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	16	7	7
Profit and loss account	16	163	443
Cash flow hedge reserve	16	(6,364)	(8,220)
		<u>(6,194)</u>	<u>(7,770)</u>
<b>Total shareholders' deficit</b>			
Non-controlling interests		(1)	(614)
		<u>(6,195)</u>	<u>(8,384)</u>
<b>Total capital employed</b>			
		<u>(6,195)</u>	<u>(8,384)</u>

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 29 September 2021 and were signed on its behalf by:

*Mark Holden*

M G D Holden

Director

One Bartholomew Close  
 Barts Square  
 London  
 EC14 7BL

**COMPANY BALANCE SHEET**  
*As at 31 March 2021*

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Investments	10	3,750	3,950
<b>Current assets</b>			
Debtors	11	229	237
<b>Creditors:</b> amounts falling due within one year	12	(538)	(513)
<b>Net current liabilities</b>		(309)	(276)
<b>Total assets less current liabilities</b>		3,441	3,674
<b>Creditors:</b> amounts falling due after more than one year	13	(3,434)	(3,667)
<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 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 29 September 2021 and were signed on its behalf by:

*Mark Holden*

M G D Holden  
 Director

One Bartholomew Close  
 Barts Square  
 London  
 EC14 7BL

S&W TLP (PSP Two) Limited  
Annual Report and Financial Statements  
31 March 2021

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the year ended 31 March 2021*

	Called up share capital £'000	Attributable to owners of parent 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)
<b>Total comprehensive income for the year</b>						
Profit for the financial year	-	-	259	259	101	360
Other comprehensive loss	-	(1,476)	-	(1,476)	(574)	(2,050)
<b>Total comprehensive (loss)/income for the year</b>	-	(1,476)	259	(1,217)	(473)	(1,690)
<b>Balance at 31 March 2020</b>	7	(8,220)	443	(7,770)	(614)	(8,384)

	Called up share capital £'000	Attributable to owners of parent Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000	Non- controlling interests £'000	Total Equity £'000
Balance at 1 April 2020	7	(8,220)	443	(7,770)	(614)	(8,384)
<b>Total comprehensive expense for the year</b>						
Profit for the financial year	-	-	296	296	115	411
Other comprehensive income	-	1,856	-	1,856	722	2,578
<b>Total comprehensive income for the year</b>	-	1,856	296	2,152	837	2,989
Transactions with owners, recorded directly in equity - Dividends	-	-	(576)	(576)	(224)	(800)
<b>Balance at 31 March 2021</b>	7	(6,364)	163	(6,194)	(1)	(6,195)

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 2021*

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

	Called up share capital £'000	Profit and loss account £'000	Total Shareholders' Funds £'000
Balance at 1 April 2020	7	-	7
<b>Total comprehensive income for the period</b>			
Profit for the financial year	-	576	576
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	-	576	576
Transactions with owners, recorded directly in equity		(576)	(576)
<b>Balance at 31 March 2021</b>	<u>7</u>	<u>-</u>	<u>7</u>

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 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 2021. 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 (2020: £Nil).



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

### 1 Accounting Policies (*Continued*)

#### 1.2 *Going concern*

Group had net liabilities of ££6,195,000 (2020: £8,384,000) as at March 2021 and generated a profit for the year then ended of £411,000 (2020: £360,000). The liabilities are primarily due to the derivative financial instrument, which does not cause an issue with going concern as the Group does not intend to close out the instrument prior to its maturity date in 2036.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of Covid-19, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Group would lead to service failure points being awarded against the Group in accordance with the terms of Group's contract with Salford City Council sufficient to cause an event of default under the terms of the terms of the Group's external borrowings. To date, taking into the effect of COVID-19 and [state any other significant operational issues] there has been no material adverse impact on the Group's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Group will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that the Group and 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 £1,678,000 at the year-end (2020: £1,335,000).

#### 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 2021 it is in year 10 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*)

### 1.7 *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*

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 of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

#### *Calculation of service revenue*

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. Service revenue recognised is calculated using a percent mark-up on cost basis. The mark-up used is updated every six months in line with actual costs and revenues, however the fixed nature of project costs means there is little variance between mark-up each period.

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

### 3 Analysis of turnover

	2021 £000	2020 £000
Services income	3,309	3,066
All profits arising in the UK		

### 4 Auditors remuneration

	Group 2021 £000	Group 2020 £000
Audit of these financial statements	2	2
Audit of subsidiary financial statements	24	23
Taxation Compliance	6	6

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 £39,700 (2020: £36,900) and £6,000 (2020: £6,000) 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 £81,000 in the period (2020: £65,000).

### 6 Staff numbers and costs

The Group had no employees during the year under review (2020: none).

### 7 Interest receivable and similar income

	2021 £000	2020 £000
Finance debtor interest	4,115	4,243
	4,115	4,243

### 8 Interest payable and similar expenses

	2021 £000	2020 £000
Interest on bank loans	3,193	3,351
Interest on subordinated debt	647	691
	3,840	4,042

Of the above £647,000 (2020: £691,000) was payable to related undertakings.

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

### 9 Taxation

	2021 £000	2020 £000
<i>Total tax recognised in the profit and loss account and other comprehensive income</i>		
Corporation tax	96	84
Total current tax	96	84
Deferred tax (see note 15)		
Tax Losses utilised	-	-
Deferred tax on derivatives	604	(688)
Total deferred tax	604	(688)
Total tax	700	(604)
	2021 £000	2020 £000
Profit before taxation	507	444
Expected tax using the UK Corporation tax rate of 19% (2020: 19%)	96	84
Total tax expense included in profit or loss	96	84

#### Reconciliation of effective tax rate

	Current Tax £'000	2021 Deferred Tax £'000	Total Tax £'000	Current Tax £'000	2020 Deferred Tax £'000	Total Tax £'000
Recognised in Profit and loss account	96	-	96	84	-	84
Recognised directly in other comprehensive income	-	604	604	-	(688)	(688)
Total Tax	96	604	700	84	(688)	(604)

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

The March 2021 Budget announced that a rate of 25% would apply from 1 April 2023. This will increase the group's future current-tax charge accordingly.

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

### 10 Fixed Asset Investments

Company	Shares in Subsidiary £000	Sub debt £000	Total £000
At 1 April 2020	7	3,943	3,950
Repayment of sub debt	-	(200)	(200)
At 31 March 2021	7	3,743	3,750

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%

These subsidiaries are involved in the design, construction, financing, operating and maintenance of education accommodation.

### 11 Debtors

	Group	Company	Group	Company
	2021 £000	2021 £000	2020 £000	2020 £000
Finance debtor	53,482	-	55,253	-
Trade debtors	874	-	6	-
Prepayments and accrued income	179	229	149	237
Deferred tax asset (note 15)	1,508	-	2,136	-
	56,043	229	57,544	237

Debtors include a financial debtor of £51,584,000 (2020: £53,490,000) due after more than one year.

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

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

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Bank loans and overdrafts	2,401	-	2,426	-
Subordinated debt	428	309	273	276
Trade creditors	346	-	358	-
Other tax and social security creditors	338	-	333	-
Corporation tax	91	-	75	-
Accruals and deferred income	5,662	229	5,091	237
	<u>9,266</u>	<u>538</u>	<u>8,556</u>	<u>513</u>

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

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Bank loans and overdrafts	50,107	-	52,508	-
Debt issue costs	(6,808)	-	(7,617)	-
Subordinated debt	4,770	3,434	5,204	3,667
Other financial instruments	7,934	-	11,120	-
	<u>56,003</u>	<u>3,434</u>	<u>61,215</u>	<u>3,667</u>

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Analysis of debt: (excluding interest)				
Debt can be analysed as falling due:				
In one year or less, or on demand	2,829	309	2,699	276
- Between one and two years	2,445	-	2,435	24
- Between two and five years	7,859	-	7,582	41
- In five years or more	44,573	3,434	47,695	3,602
	<u>57,706</u>	<u>3,743</u>	<u>60,411</u>	<u>3,943</u>



## 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.

	2021 £000	2020 £000
<b>Creditors falling due more than one year</b>		
Bank loan	50,107	52,508
Subordinated debt	4,770	5,204
<b>Creditors falling due within less than one year</b>		
Bank loan	2,401	2,426
Subordinated debt	428	273

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment	2021 £000	2020 £000
<b>Bank Loan</b>	GBP	Libor + 1.6%	2036	Semi annual	52,508	54,934
<b>Subordinated Debt</b>	GBP	12%	2036	Semi annual	5,198	5,477

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.

Following the FCA's announcement that LIBOR will no longer be published after 31 December 2021, the Company has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Company to assume that interest rate benchmarks on which hedged cash flows are based (e.g. LIBOR) will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised. The Company has taken advantage of these amendments in relation to the LIBOR interest rate noted above. The transition from LIBOR has not yet occurred, but is expected to occur prior to 31 December 2021.

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

### 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% (2020: 19%) in the financial statements as follows:

	2021 £000	2020 £000
Tax losses	-	-
Deferred tax on revaluation of fair value of derivatives	1,508	2,136
	<u>1,508</u>	<u>2,136</u>

### 16 Called up share capital

#### Share capital

	2021 £000	2020 £000
<b><i>Allotted, called up and fully paid</i></b>		
7,200 (2020: 7,200) ordinary shares at £1 each	7	7
	<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.

### 17 Financial instruments

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

The carrying amounts of the financial assets and liabilities include:

	2021 £000	2020 £000
Assets measured at amortised cost		
- Finance debtor	53,482	55,253
- Trade debtors	874	6
	<u>54,356</u>	<u>55,259</u>

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

### 17 Financial instruments (*continued*)

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

Assets measured at cost less impairment		
- Cash and cash equivalents	3,031	3,843
	<hr/>	<hr/>
Liabilities measured at amortised cost		
- Trade creditors	(346)	(358)
- Accruals and deferred income	(5,662)	(5,091)
- Bank loan	(52,508)	(54,934)
- Subordinated debt	(5,198)	(5,477)
	<hr/>	<hr/>
	(63,714)	(65,860)
	<hr/>	<hr/>
Liabilities measured at fair value through other comprehensive income		
- Interest rate swap	(7,934)	(11,121)
	<hr/>	<hr/>

#### (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.

## 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	
			2021 £000	2020 £000	2021 £000	2020 £000
S&W TLP (Hold Co One) Limited	Subsidiary	Shareholder Loan and Interest	(925)	(1,964)	(5,518)	(5,807)
Infrastructure Investments Limited Partnership	Shareholders parent undertaking	Shareholder Loan and Interest	666	1,414	3,972	4,181
S&W TLP Education Partnership Limited	Shareholder of Subsidiary	Shareholder Loan and Interest	93	196	552	580
Salford City Council	Shareholder of Subsidiary	Shareholder Loan and Interest	83	177	497	523
Building Schools for the Future Investments LLP	Shareholder of Subsidiary	Shareholder Loan and Interest	83	177	497	523

### 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.