REGISTERED NUMBER: 07084291 (England and Wales)

Directors' Report and

Consolidated Financial Statements

for the year ended 31 December 2022

for

Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Contents of the Consolidated Financial Statements
for the year ended 31 December 2022

Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Company Information
for the year ended 31 December 2022

DIRECTORS:	K Savjani N R Henshaw W E Lewis
REGISTERED OFFICE:	3 More London Riverside London SE1 2AQ
REGISTERED NUMBER:	07084291 (England and Wales)
AUDITOR:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH

Directors' Report
for the year ended 31 December 2022

The Directors present their report with the financial statements of the Company and Group for the year ended 31 December 2022.

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

The Directors have elected to prepare consolidated financial statements for the first time this year.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of a holding company. The Company has been established for the single purpose of holding shares in a subsidiary company. The Company provides subordinated debt to its subsidiary undertaking, Blackburn with Darwen and Bolton Phase 1 (Refico) Limited which owns the entire share capital of Blackburn with Darwen and Bolton Phase 1 Limited. The Group are involved in the design, construction and maintenance services including related financial arrangements for schools under a 25-year PFI concession agreement with Blackburn with Darwen Borough Council. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 15 January 2010. Construction of the school commenced in January 2010 and was completed in August 2011.

REVIEW OF BUSINESS

The Directors consider the performance of the Group and the Company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

The consolidated statement of comprehensive income set out on page 8 shows a profit before tax for the financial year of £936,000 (2021: £1,073,000). Reduced profit in the current year when compared against the prior year, is due to increases in the RPIx inflation index in the year, which led to increased interest payable on the Group's RPIx-linked loan stock.

FUTURE DEVELOPMENTS

The Directors continue to develop the business in line with the contract.

DIVIDENDS

The Directors did not recommend the payment of a dividned in the year (2021: £nil).

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

K Savjani
N R Henshaw
W E Lewis

DIRECTORS INDEMNITIES

The Group and Company have made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Groups's strategy are subject to a number of risks. The key business risks affecting the Group are considered to relate to cash flow management, facility management compliance and review of the insurance cover and lifecycle profile. The Group is exposed to inflation risk as some of its operational costs are RPI linked. This risk is mitigated as an element of the Group's availability income is also linked to RPI. The board formally reviews risks and appropriate processes are put in place to mitigate them.

GOING CONCERN

The Group had net liabilities of £5,325,000 as at 31 December 2022 and generated a profit for the year ended of £750,000. In 2018 the Group refinanced its senior loan. The resulting breakage of the interest rate swap lead to significant expense to the Groups reserves. The business continues to be profitable and has significant cash reserves. The project submits model forecasts reviewed and approved bi-annually by the lender which forecast the project to be in a net assets position by 2027.

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, 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 the Group's contract with the local authority sufficient to cause an event of default under the terms of the Group's external borrowings. To date, 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.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events which would require disclosure or adjustment to these financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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.

ON BEHALF OF THE BOARD

K Savjani

K Savjani - Director

Date: 7 August 2023

Statement of Directors' Responsibilities
for the year ended 31 December 2022

The Directors are responsible for preparing the Directors' Report and the group and parent 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 the Group's 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;
- 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, matter 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 Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Opinion

We have audited the financial statements of Blackburn with Darwen and Bolton Phase 1 Holdings Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement 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 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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, 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.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the existence of limited incentives and opportunities to make inappropriate accounting entries in relation to revenue.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

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 and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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 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 health and safety as the most likely area to have such an effect, 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 other management 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.

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.

Other matter – prior period consolidated financial statements

We note that the company did not previously prepare consolidated financial statements. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained with the consolidated financial statements are unaudited. Our opinion is not modified in respect of this matter

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

John Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 8 August 2023

Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
TURNOVER		**1,416**	1,509
Cost of sales		**(1,272)**	(1,348)
GROSS PROFIT		**144**	161
Administrative expenses		**(97)**	(72)
OPERATING PROFIT	3	**47**	89
Interest receivable and similar income	4	**2,476**	2,480
Interest payable and similar expenses	5	**(1,587)**	(1,496)
PROFIT BEFORE TAXATION		**936**	1,073
Tax on profit	6	**(186)**	43
PROFIT FOR THE FINANCIAL YEAR		**750**	1,116
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**750**	1,116
Profit attributable to:			
Owners of the parent		**750**	1,116
Total comprehensive income attributable to:			
Owners of the parent		**750**	1,116

Blackburn with Darwen and Bolton Phase 1 Holdings Limited
(Registered number: 07084291)

Consolidated Balance Sheet
31 December 2022

	Note	2022 £'000	2021 £'000
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	1,321	1,235
Debtors: amounts falling due after more than one year	8	24,940	26,177
Cash at bank		3,633	3,690
		29,894	31,102
CREDITORS			
Amounts falling due within one year	9	(2,903)	(2,778)
NET CURRENT ASSETS		26,991	28,324
TOTAL ASSETS LESS CURRENT LIABILITIES		26,991	28,324
CREDITORS			
Amounts falling due after more than one year	10	(32,316)	(34,399)
NET LIABILITIES		(5,325)	(6,075)
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Retained earnings		(5,325)	(6,075)
SHAREHOLDERS' DEFICIT		(5,325)	(6,075)

The financial statements were approved by the Board of Directors on 07/08/2023 and were signed on its behalf by:

K Savjani - Director

Blackburn with Darwen and Bolton Phase 1 Holdings Limited
(Registered number: 07084291)

Company Balance Sheet
31 December 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Fixed asset investments	7	-	-
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	28	31
Debtors: amounts falling due after more than one year	8	3,444	3,865
		3,472	3,896
CREDITORS			
Amounts falling due within one year	9	(218)	(153)
NET CURRENT ASSETS		3,254	3,743
TOTAL ASSETS LESS CURRENT LIABILITIES		3,254	3,743
CREDITORS			
Amounts falling due after more than one year	10	(3,019)	(3,093)
NET ASSETS		235	650
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Retained earnings		235	650
SHAREHOLDERS' FUNDS		235	650

The financial statements were approved by the Board of Directors on 07/08/2023 and were signed on its behalf by:

K Savjani - Director

Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2021	-	(7,191)	(7,191)
Changes in equity			
Total Comprehensive Income	-	1,116	1,116
Balance at 31 December 2021	-	(6,075)	(6,075)
Changes in equity			
Total Comprehensive Income	-	750	750
Balance at 31 December 2022	-	**(5,325)**	**(5,325)**

Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Company Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	-	906	906
Changes in equity			
Total Comprehensive Loss	-	(256)	(256)
Balance at 31 December 2021	-	650	650
Changes in equity			
Total Comprehensive Loss	-	(415)	(415)
Balance at 31 December 2022	-	**235**	**235**

The notes form part of these financial statements

Blackburn with Darwen and Bolton Phase 1 Holdings Limited

Consolidated Cash Flow Statement
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations			
Profit before taxation		**936**	1,073
Interest receivable and similar income		**(2,476)**	(2,480)
Interest payable and similar expenses		**1,587**	1,496
Net cash generated from operations		**47**	89
Decrease in debtors		**1,058**	1,188
(Decrease) / Increase in creditors		**(25)**	79
Tax paid		**(80)**	(110)
Interest paid		**(1,418)**	(1,381)
Interest received		**2,476**	2,480
Net cash from operating activities		**2,058**	2,345
Cash flows from financing activities			
Repayment of bank borrowings	11	**(2,056)**	(1,910)
Movement in amounts owed to group undertakings	11	**(53)**	(9)
Movement in amounts owed to related parties	11	**(6)**	(1)
Net cash from financing activities		**(2,115)**	(1,920)
Net (decrease) / increase in cash and cash equivalents		**(57)**	425
Cash and cash equivalents at 1 January		**3,690**	3,265
Cash and cash equivalents at 31 December		**3,633**	3,690

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

Blackburn with Darwen and Bolton Phase 1 Holdings Limited (the Company) is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company 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 for the year ended 31 December 2022. The presentation currency of these financial statements is sterling, which is the functional currency of the Group and Company. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements are prepared on the historical cost basis.

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

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12..

The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and,
- Certain 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company's loss for the year was £415,000 (2021: £256,000).

Going concern

The Group had net liabilities of £5,325,000 as at 31 December 2022 and generated a profit for the year ended of £750,000. In 2018 the Group refinanced its senior loan. The resulting breakage of the interest rate swap lead to significant expense to the Groups reserves. The business continues to be profitable and has significant cash reserves. The project submits model forecasts reviewed and approved bi-annually by the lender which forecast the project to be in a net assets position by 2027.

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, 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 the Group's contract with the local authority sufficient to cause an event of default under the terms of the Group's external borrowings. To date, 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.

1. ACCOUNTING POLICIES - continued

Going concern - continued

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.

Turnover

Income received in respect of the service concession is allocated between revenue and capital repayment of and interest income on the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Revenue and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

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 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of the future payments discounted at a market rate of interest for a similar loan. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in administrative expenses.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1. ACCOUNTING POLICIES - continued

Service concession - financial assets
The Group is a special purpose entity that has been established to provide services under certain private finance agreements with Blackburn Borough Council (the Authority). Under the terms of these Agreements, the Authority controls the service to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement and has accounted for the principal assets of and income streams from, the project in accordance with FRS 102, section 34.12 Service Concession Arrangement.

Interest receivable and interest payable
Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue. Dividend income is recognised in the profit and loss account on the date the Group's right to receive payments is established.

Investments
In the Company's financial statements fixed asset investments are stated at cost less provision for any impairment in the carrying value of the investment.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances. The Group is obliged to keep a separate cash reserve in respect of future maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £1,852,000 at year end (2021: £1,765,000).

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are no significant estimates or judgements in the preparation of these financial statements.

2. STAFF COSTS AND DIRECTOR'S REMUNERATION

The Group and Company has no employees and hence there were no staff costs for the year ended 31 December 2022 (2021: £nil). There are no key management personnel other than the directors. The Directors received no remuneration, fees or other benefits in the performance of their qualifying services in respect of their services to the Group and Company (2021: £nil).

3. OPERATING PROFIT

The following costs were incurred during the year:

	2022	2021
	£'000	£'000
Auditor's remuneration - audit of these financial statements	1	1
Audit of subsidiary accounts pursuant to legislation	19	16
	20	17

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£'000	£'000
Bank interest receivable	28	2
Interest on financial assets	2,448	2,478
	2,476	2,480

5. INTEREST PAYABLE AND SIMILAR EXPENSE

	2022	2021
	£'000	£'000
Bank borrowings	1,053	1,111
Amounts owed to group undertakings	534	385
	1,587	1,496

6. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:	2022 £'000	2021 £'000
Current tax:		
UK corporation tax	93	106
Deferred tax:		
Originating and reversal of timing differences	93	(149)
Tax charge/(credit) on profit	186	(43)

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021
	£'000	£'000
Profit before tax	936	1,073
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	178	204
Effects of:		
Effect of increase in future tax rates	-	(255)
Group relief	8	8
Current tax charge/(credit) for the year	186	(43)

Factors affecting the tax charge in future years

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 31 December 2022 has been calculated based on this rate. This will have a consequential effect on the Group's future tax charge.

7. FIXED ASSET INVESTMENTS

Company	**Interest in subsidiary undertakings**
	£
COST	
At 1 January 2022	
and December 2022	**1**
NET BOOK VALUE	
At 31 December 2022	**1**
At 31 December 2021	1

Shares in subsidiary undertaking represent a holding of 100% of the ordinary share capital of Blackburn with Darwen and Bolton Phase 1 (Refico) Limited, it is incorporated in the United Kingdom, registered at 3 More London Riverside, London, SE1 2AQ, and owns the entire share capital of Blackburn with Darwen and Bolton Phase 1 Limited. There is no non-controlling interest. Blackburn with Darwen and Bolton Phase 1 Limited is involved in the design, build, maintenance and operation of a series of schools under the Private Finance Initiative.

8. DEBTORS

	Group		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**-**	13	**-**	-
Amounts receivable in respect of financial assets	**1,091**	989	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**28**	31
Other debtors and accrued income	**230**	233	**-**	-
	1,321	1,235	**28**	31

	Group		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Amounts falling due after more that one year:				
Amounts receivable in respect of financial assets	**23,856**	25,000	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**3,444**	3,865
Deferred tax asset	**1,084**	1,177	**-**	-
	24,940	26,177	**3,444**	3,865
Aggregate amounts	**26,261**	27,412	**3,472**	3,896

Amounts owed by subsidiary undertakings comprise loan stock of £3,444,000 (2021: £3,865,000) to Blackburn with Darwen and Bolton Phase 1 (Refico) Limited. These borrowings bear interest at 2.92% per annum and are repayable in semi-annual instalments on or before September 2032. There was £28,000 (2021: £31,000) accrued interest on these loans outstanding at the year end.

8. DEBTORS - continued

Deferred tax asset consists of:

	2022	2021
	£'000	£'000
Deferred tax on loss of extinguishment of interest rate swap	1,080	1,173
FRS102 adjustments in respect of prior years	4	4
	1,084	1,177

Tax losses	Group
	2022
	£'000
Balance at 1 January 2022	1,177
Movement in the year included in profit and loss	(93)
At 31 December 2022	1,084

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade creditors	102	182	-	-
Bank loans and overdrafts (note 11)	2,223	2,156	-	-
Amounts owed to group undertakings (note 11)	197	138	197	138
Amounts owed to related parties (note 11)	21	15	21	15
Corporation tax	16	3	-	-
VAT	144	139	-	-
Accruals and deferred income	200	145	-	-
	2,903	2,778	218	153

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Bank loans and overdrafts (note 11)	29,297	31,306	-	-
Amounts owed to group undertakings (note 11)	2,717	2,784	2,717	2,784
Amounts owed to related parties (note 11)	302	309	302	309
	32,316	34,399	3,019	3,093

11. LOANS

An analysis of the maturity of the bank loans is given below:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Repayment schedule of the bank loan:				
Wholly repayable within five years	**10,079**	9,934	**-**	-
Not wholly repayable within five years	**21,220**	23,293	**-**	-
	31,299	33,227	**-**	-

The Company undertook to refinance its original bank borrowings with new term loan facilities on 13 February 2019. The total loan facility granted was £38,955,000. As at 31 December 2022 £32,307,000 (2021: £34,363,000) has been drawn for the senior term loan. There was £221,000 (2021: £235,000) of accrued interest and an effective interest rate adjustment of £1,008,000 (2021: £1,136,000) on these loans outstanding at the year end.

The term loan is repayable in six-monthly instalments ending on 31 March 2036. Interest is charged on amounts with fixed interest rate 2.71%.

The facilities are secured, by way of first fixed charge, over all of the assigned rights which the company now has, its present and future interest in the securities and all other stocks, shares, debentures, bonds and other securities, all account monies, all benefits in respect of insurances, all book and other debts and other monies due, its present and future goodwill and its present and future uncalled capital. They are also secured by way of a floating charge over the whole of the charged assets being the whole of the property (including uncalled capital) which is or may be from time to time comprised in the property and undertaking of the charge.

Amounts owed to group undertakings consists of:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Repayment schedule of the group loan:				
Wholly repayable within five years	**605**	442	**605**	442
Not wholly repayable within five years	**2,309**	2,479	**2,309**	2,479
	2,914	2,921	**2,914**	2,921

Amounts owed to group undertakings comprise loan stock of £2,783,000 (2021: £2,836,000) from Building Schools for Future Investments Limited. The borrowings bear interest at 10.4% above RPIx per annum and are repayable in semi-annual instalments on or before September 2036. There was £131,000 (2021: £85,000) of accrued interest on this loan outstanding at the year end.

Amounts owed to related parties consists of:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Repayment schedule of the related parties loan:				
Wholly repayable within five years	**67**	49	**67**	49
Not wholly repayable within five years	**256**	276	**256**	276
	323	325	**323**	325

11. LOANS - continued

Amounts owed to group undertakings comprise loan stock of £309,000 (2021: £315,000) from Blackburn with Darwen and Bolton Local Education Partnership Limited. The borrowings bear interest at 10.4% above RPIx per annum and are repayable in semi-annual instalments on or before September 2036. There was £14,000 (2021: £10,000) of accrued interest on this loan outstanding at the year end.

12. FINANCIAL INSTRUMENTS

Net debt

The below is an analysis of changes in net debt from the beginning to the end of the current reporting period:

	1 January 2022	Cash flows	31 December 2022
	£'000	£'000	£'000
Cash at bank and in hand	3,690	(57)	3,633
	3,690	**(57)**	**3,633**
Bank loans	(34,363)	2,056	(32,307)
Amounts owed to group undertakings	(2,836)	53	(2,783)
Amounts owed to related parties	(315)	6	(309)
Net debt	**(33,824)**	**2,058**	**(31,766)**

Net debt consists of the borrowings of an entity less any cash and cash equivalents.

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
1,000	Ordinary shares	£0.098	98	98

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.

14. RELATED PARTY DISCLOSURES

The Group received management services during the year from Blackburn with Darwen and Bolton Local Education Partnership Limited, an entity which has significant influence in the Group, at a cost of £124,000 (2021: £116,000). The Group owed Blackburn with Darwen and Bolton Local Education Partnership Limited £nil (2021: £nil) at the year end.

15. ULTIMATE CONTROLLING PARTY

The Directors regard Building Schools for the Future LLP, a company incorporated in England and Wales as the immediate parent undertaking and controlling party and International Public Partnerships Limited a company registered in Guernsey as the ultimate parent undertaking and controlling party.