S&W TLP (PSP Three) Limited

Annual Report and Financial Statements
Registered No: 07796782

31 March 2020

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S&W TLP (PSP Three) Limited (Registered Number: 07796782)

Company Information
for the Year Ended 31 March 2020

DIRECTORS:	R W Driver M G D Holden
REGISTERED OFFICE:	Level 7 One Bartholomew Close Barts Square London EC1A 7BL
REGISTERED NUMBER:	07796782 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR
SUBSIDIARY UNDERTAKING:	S&W TLP (Hold Co Two) Limited

Directors' Report

For the year ended 31 March 2020

The directors present their strategic report on the group for the year ended 31 March 2020.

Principal activities and future developments

The Company acts as a holding company for its subsidiary S&W TLP (Hold Co Two) Limited. The principal activity of that subsidiary is the financing, construction, 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 Two) Limited. Operational activities have continued throughout the year. No significant changes to the group's activities are anticipated in the foreseeable future.

Results and dividends

The results for the Group for the year are shown in the Consolidated Statement of Comprehensive Income on page 9.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2020 (2019: nil).

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These deductions are passed on to the service provider, but the quantum is an indication of unsatisfactory performance. In the year ended 31 March 2020, deductions of £22,524 (2019: £54,030) had been levied which represents 0.5% (2019: 1.4%) 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 2020, the Group's performance against this measure was satisfactory.

Principal risks and uncertainties

The Authority is the sole client of the Group. The directors consider that no strategic risk arises from such a small client base since the Secretary of State for Education has underwritten the Authority's obligations under the Project Agreement.

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.

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The financial risks and the measures taken to mitigate them are detailed in the following section.

Financial Risk Management

The Group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Group's performance. The Directors have policies for managing each of these risks and they are summarised below:

Directors' Report (continued)
For the year ended 31 March 2020

Interest rate risk

The Group aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings. The Group has also entered into swap contracts covering all of the debt projected to be drawn down which hedges the Group's interest rate exposure on bank loans.

Brexit risk

The Group is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from 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.

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 Company 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, as discussed above, performance risk under the Project Agreement is passed to service providers and mitigated through guarantees.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's financial obligations, including the repayment of its borrowings which are provided on a long-term basis, have been structured to be met from the income which, under normal operating conditions, will be earned from its long-term concession contract with the Authority.

Credit Risk

Although the Authority is the sole client of the Group, the directors are satisfied that the Authority will be able to fulfil its obligations under the Project Agreement as it is underwritten by the Secretary of State for Education.

Directors

The Directors of the Company who held office during the year and to the date of signing these financial statements are listed below:

R W Driver
M G D Holden

Strategic Report exemption
The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption. Accordingly, no Strategic Report has been prepared.

Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £13,056,000 (2019: £10,824,000).. These net liabilities relate primarily to the recognition of unrealised losses on interest rate waps taken out to hedge one company's borrowings over the duration of the project. The directors have considered the forecasts and believe the future prospects of the company to be satisfactory,

Directors' Report (continued)
For the year ended 31 March 2020

and therefore it remains appropriate to prepare the financial statements on a going concern basis.

Employees

The Company has no employees (2019: Nil)

Political and charitable contributions

The Company made no political or charitable contributions during the year (2019: £Nil).

Disclosure of information to auditors

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 Company's auditors are unaware; and
- The directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

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

Approval

This report was approved by the board on 18th Dec 2020 and signed on its behalf by:

M G D Holden
Director

46 Charles Street
Cardiff
CF10 2GE

Statement of Directors' Responsibilities

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 financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom 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 the company and of the profit or loss of the group 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 FRS102 "The Financial Reporting Standard applicable is the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the members of S&W TLP (PSP Three) Limited

Report on the audit of the financial statements

Opinion

In our opinion, S&W TLP (PSP Three) Limited 's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2020; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the

Independent Auditors' Report to the members of S&W TLP (PSP Three) Limited *(continued)*

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

Independent Auditors' Report to the members of S&W TLP (PSP Three) Limited *(continued)*

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, 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 preparing a strategic report. We have no exceptions to report arising from this responsibility.

Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
18 December 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	3	4,736	3,833
Cost of sales		(3,806)	(2,982)
Gross profit		930	851
Administrative expenses		(682)	(669)
Operating profit	4-6	248	182
Interest receivable and similar income	7	3,894	4,010
Interest payable and similar expenses	8	(3,625)	(3,799)
Profit before taxation		517	393
Tax on Profit	9	(76)	(66)
Profit/(loss) for the financial year		441	327
Other comprehensive (expense)/income			
Items that will or may be reclassified to profit or loss			
Effective portion of fair value changes in cash flow hedges	18	(3,594)	(1,008)
Tax recognised in relation to change in fair value cash flow hedges	9	921	171
Other comprehensive expense for the year		(2,673)	(837)
Total comprehensive expense for the year		(2,232)	(510)
Total comprehensive expense for the year is attributable to:			
Owners of the parent		(1,607)	(368)
Non-controlling interests		(625)	(142)
		(2,232)	(510)

The notes on pages 15 to 27 form an integral part of these financial statements.

Consolidated Balance Sheet
As at 31 March 2020

	Note	2020 £000	2019 £000
Current assets			
Debtors (including £69,519,000 (2019: £71,339,000) amounts falling due after more than one year)	11	72,457	73,655
Cash at bank and in hand		2,937	3,722
		75,394	77,377
Creditors: amounts falling due within one year	12	(8,796)	(8,181)
Total assets less current liabilities		66,598	69,196
Creditors: amounts falling due after more than one year	13	(79,654)	(80,020)
Net liabilities		(13,056)	(10,824)
Capital and reserves			
Called up share capital	17	7	7
Cash flow hedge reserve		(9,059)	(7,135)
Profit and loss account		(348)	(667)
Total Equity attributable to owners of the parent		(9,400)	(7,795)
Non-controlling interests		(3,656)	(3,029)
Total equity		(13,056)	(10,824)

The notes on pages 15 to 27 form part of these financial statements.

The financial statements on pages 9 to 27 were approved by the Board of Directors on 18 th Dec 2020 and signed on its behalf by:

M G D Holden
Director

46 Charles Street
Cardiff
CF10 2GE

Company Balance Sheet

As at 31 March 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	10	3,588	4,723
Current assets			
Debtors	11	216	282
Creditors: amounts falling due within one year	12	(311)	(366)
Total assets less current liabilities		3,493	4,639
Creditors: amounts falling due after more than one year	13	(3,486)	(4,632)
Net assets		7	7
Capital and reserves			
Called up share capital	17	7	7
Profit and loss account		-	-
Total equity		7	7

The company has declared no profit for the year (2019: £nil)

The notes on pages 15 to 27 form part of these financial statements.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The financial statements on pages 9 to 27 were approved by the Board of Directors on 18 Dec 2020 and signed on its behalf by:

M G D Holden
Director

46 Charles Street
Cardiff
CF10 2GE

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of parent				Non-controlling interests	Total Equity
	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000	£'000	£'000
Balance at 1 April 2018	7	(6,532)	(902)	(7,427)	(2,887)	(10,314)
Total comprehensive expense for the year						
Profit for the financial year	-	-	235	235	92	327
Other comprehensive expense	-	(603)	-	(603)	(234)	(837)
Total comprehensive expense for the year	-	(603)	235	(368)	(142)	(510)
Balance at 31 March 2019	7	(7,135)	(667)	(7,795)	(3,029)	(10,824)

	Attributable to owners of parent				Non-controlling interests	Total Equity
	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000	£'000	£'000
Balance at 1 April 2019	7	(7,135)	(667)	(7,795)	(3,029)	(10,824)
Total comprehensive expense for the year						
Profit for the financial year	-	-	319	319	122	441
Other comprehensive expense	-	(1,924)	-	(1,924)	(749)	(2,673)
Total comprehensive expense for the year	-	(1,924)	319	(1,605)	(627)	(2,232)
Balance at 31 March 2020	7	(9,059)	(348)	(9,400)	(3,656)	(13,056)

Company Statement of Changes in Equity

For the year ended 31 March 2020

	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2018	7	-	-	7
Total comprehensive income for the year				
Result for the financial year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Balance at 31 March 2019	7	-	-	7

	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2019	7	-	-	7
Total comprehensive income for the year				
Result for the financial year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Balance at 31 March 2020	7	-	-	7

Consolidated Statement of Cash Flows
For the year ended 31 March 2020

	2020 £000	2019 £000
Cash Flows from operating activities:		
Profit for the financial year	441	327
Adjustments for:		
Interest receivable and similar income	(3,894)	(4,010)
Interest payable and similar expenses	3,625	3,799
Taxation	76	66
Operating Profit	248	182
Decrease in debtors	2,022	2,044
Increase in creditors	559	143
Tax paid	23	(118)
Net cash inflow from operating activities	2,852	2,251
Cash Flows from investing activities		
Interest received	3,894	4,010
Net cash inflow from investing activities	3,894	4,010
Cash Flows from financing activities		
Proceeds of long term borrowings	-	-
Repayment of borrowings	(3,787)	(3,258)
Interest paid	(3,744)	(5,265)
Net cash outflow from financing activities	(7,531)	(8,523)
Net decrease in cash	(785)	(2,262)
Cash and cash equivalents at 1 April	3,722	5,984
Cash and cash equivalents at 31 March	2,937	3,722

Notes to the Financial Statements
(forming part of the financial statements)

1 Accounting policies

S&W TLP (PSP Three) Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK. Its principal activity is to act as a holding company for its subsidiary, S&W TLP (Hold Co Two) Limited which in turn acts as a holding company for S&W TLP (Project Co Two) Limited. The principal activity of S&W TLP (Project Co Two) 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")* as issued in August 2014 and the Companies Act 2006. The presentation currency of these financial statements is sterling.

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.

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

1.2 Going concern

The Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2039. Having examined the current status of the Group's principal contracts and likely developments in the foreseeable future, the Directors consider that the Group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19 and have concluded that they do not expect it to have a material impact on the group's cash flows or profitability. Government guidance requires public bodies to work with and make timely payments to suppliers to ensure continuity of service during and after the coronavirus outbreak.

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.

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

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

1.4 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments.

Interest- bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Company 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 £2,265,000 at the year end (2019: £1,738,000).

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,

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

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

1.6 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying value and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continued to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the profit or loss.

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 with rewards of ownership as set out in the standard are deemed to lie principally with Salford City Council. On adoption of FRS 102, the company took the exemption permitted by FRS 102 para 35.10(i) and continues to apply the old UK GAAP treatment for the services concession arrangement.

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

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

1.8 Expenses

Interest receivable and Interest payable

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies *(continued)*

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 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis on making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The critical accounting estimates made in preparing these financial statements are the assessment of the finance debtor interest rate and the margin recognised on operational services. The finance debtor interest rate was fixed at 5.55% at inception of the contract. The service margin is calculated based on the forecast cash flows over the life of the PFI contract, after allocating appropriate amounts to repayment of the finance debtor together with interest thereon. The service margin recognised in the year amounted to 7.1% (2019: 5.6%).

3 Turnover

	2020	**2019**
	£000	**£000**
Services income	4,736	3,833

The group has been engaged solely in continuing activities in a single class of business within the United Kingdom.

4 Auditors' remuneration

	Group 2020 £000	**Company 2020 £000**	**Group 2019 £000**	**Company 2019 £000**
Audit of these financial statements and the financial statements of subsidiaries	19	4	16	4

Notes to the Financial Statements (continued)

5 Remuneration of directors

The directors are remunerated by S&W TLP Education Partnerships Limited for their services to the group as a whole. This amounted to £17,000 in the period (2019: £26,000).

6 Staff numbers and costs

The Company nor Group had no employees during the year under review (2019: NIL).

7 Interest receivable and similar income

	2020 £000	2019 £000
Finance debtor interest	3,894	4,007
Bank interest	-	3
	3,894	4,010

8 Interest payable and similar expenses

	2019 £000	2019 £000
Interest on bank loans	2,856	2,932
Interest on subordinated debt	691	789
Amortisation of debt issue costs and refinancing (credit)/charges	33	33
Other similar charges	45	45
	3,625	3,799

Of the above £691,000 (2019: £789,000) of subordinated debt noted above, £498,000 (2019: £429,000) was payable to group undertakings.

Notes to the Financial Statements (continued)

9 Tax on profit

	2020 £000	2019 £000
Total tax expense recognised in the profit and loss account, other comprehensive income and equity		
Current tax	-	-
Total current tax	-	-
Deferred tax (see note 16)		
Effect of change in future tax rate	(22)	-
Origination/reversal of timing differences	98	75
Prior year adjustment	-	(9)
Total deferred tax	76	66
Total tax	76	66

Reconciliation of effective tax rate

There are no differences between the tax assessed for the year and profit before tax multiplied by the Standard rate of Corporation tax in the UK of 19% (2019: 19%).

	2019 £000	2019 £000
Profit/(loss) before taxation	517	393
Expected tax using the UK Corporation tax rate of 19% (2019: 19%)	98	75
Effect of change in future tax rate	(22)	-
Prior year adjustment	-	(9)
Total tax charge/(credit) included in profit or loss	76	66

	2020			2019		
	Current Tax £'000	Deferred Tax £'000	Total Tax £'000	Current Tax £'000	Deferred Tax £'000	Total Tax £'000
Recognised in Profit and loss account	-	76	76	-	66	66
Recognised directly in other comprehensive income	-	(921)	(921)	-	(171)	(171)
Total Tax	-	(845)	(845)	-	(105)	(105)

Notes to the Financial Statements (continued)

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, the March 2020 Budget announced that this reduction would be reversed and hence a rate of 19% would continue to apply with effect from 1 April 2020. This change was enacted on the 17th March 2020, and therefore deferred tax at 31 March 2020 has been measured at 19%. This has resulted in a gain of £310,000 being recognised through other comprehensive income and a gain of £22,000 being recognised in profit and loss.

10 Investments

Company	Equity £000	Sub debt £000	Total £000
At 1 April 2019	7	4,716	4,723
Repayment of sub debt	-	(1,135)	(1,135)
At 31 March 2020	7	3,581	3,588

The sub-debt bears interest at 12% and is repayable in six monthly instalments over the period to 30 September 2038.

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

Company	Country of registration or incorporation	Shares held	%
Directly held			
S&W TLP (Hold Co Two) Limited Registered office: 46 Charles Street, Cardiff CF10 2GE	England & Wales	7,200	72%
Indirectly held			
S&W TLP (Project Co Two) Limited Registered office: 46 Charles Street, Cardiff CF10 2GE	England & Wales	7,200	72%

11 Debtors

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Finance debtor	69,009	71,121	-	-
Trade debtors	42	5	-	-
Deferred tax asset (note 16)	3,065	2,220	-	-
Prepayments and accrued income	246	191	216	282
Corporation tax debtor	95	118	-	-
	72,457	73,655	216	282

Debtors include a financial debtor of £66,776,000 (2019: £69,009,000) and a deferred tax asset of £3,065,000 (2019: £2,220,000) due after more than one year.

Notes to the Financial Statements (continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2020 **£000**	**2019** **£000**	**2020** **£000**	**2019** **£000**
Bank loans and overdrafts	2,259	2,217	-	-
Subordinated debt	137	117	95	84
Trade creditors	512	434	-	-
Other creditors	348	310	-	-
Accruals and deferred income	5,540	5,103	216	282
	8,796	8,181	311	366

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2020 **£000**	**2019** **£000**	**2020** **£000**	**2019** **£000**
Bank loans and overdrafts	54,948	57,166	-	-
Subordinated debt	4,836	6,433	(3,486)	(4,632)
Other financial instruments (note 17)	15,533	11,939	-	-
Accruals and deferred income	4,337	4,482	-	-
	79,654	80,020	(3,486)	(4,632)

14 Net Debt

The table below is an analysis of changes in net debt of the Group for this reporting period

	Borrowings due within one year **£000**	Borrowings due after one year **£000**	sub total **£000**	Cash and cash equivalents **£000**	Net debt **£000**
Net debt analysis					
Balance at 1 April 2019	2,334	63,599	65,933	3,722	69,655
Cashflows	(3,787)	-	(3,787)	(785)	(4,572)
Other non-cash changes	3,883	(3,849)	34	-	34
Balance at 31 March 2020	2,430	59,750	62,180	2,937	65,117

Notes to the Financial Statements (continued)

15 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.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£000	**£000**	**£000**	**£000**
Creditors amounts falling due after more than one year				
Bank loan	54,948	57,166	-	-
Subordinated debt	4,836	6,433	3,486	4,632
Creditors amount falling due within one year				
Bank loan	2,259	2,217	-	-
Subordinated debt	137	117	95	84
	62,180	65,933	3,581	4,716

	Group		Company	
Analysis of debt:	**2020**	**2019**	**2020**	**2019**
	£000	**£000**	**£000**	**£000**
Debt can be analysed as falling due:				
In one year or less, or on demand	2,396	2,334	95	84
- Between one and two years	2,343	2,479	95	95
- Between two and five years	6,568	6,870	227	256
- In five years or more	50,873	54,250	3,164	4,281
	62,180	65,933	3,581	4,716

Included within Bank loans is an amount repayable after five years of £46,273,000 (2019: £48,305,000) and included within subordinated debt are amounts repayable after five years of £4,394,000 (2019: £5,945,000) respectively.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment	2020 £000	2019 £000
Bank Loan	GBP	Libor + 3.187%	2038	Semi annual	57,207	60,015
Subordinated Debt	GBP	12%	2038	Semi annual	4,973	6,550

The bank loan comprises of two Senior Loan Facilities repayable in semi annual instalments until 2038. 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 1 April 2014 to 31 March 2038 covering all of the debt projected to be drawn down which hedges the Group's interest rate exposure on bank loans. The facility is subject to certain financial and non-financial covenants.

Bank loans bear interest based on LIBOR plus a SWAP margin of 1.6%. This has been swapped to a fixed rate as disclosed on page 26.
The subordinated unsecured loan stock issued to the Group bears interest at 12% and is redeemable on 30 September 2038. The subordinated debt is repayable in six monthly instalments which commenced on 31 March 2014.

Notes to the Financial Statements (continued)

16 Deferred tax

The Group has accumulated gross tax losses of £598,000 (2019: £1,115,000) which have been carried forward and will be offset against future taxable profits. A deferred tax asset has been recognised for the tax losses.

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

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

	2020 £000	2019 £000
Tax losses	114	190
Deferred tax on revaluation of fair value of derivatives	2,951	2,030
	3,065	2,220

The deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Company. The future profits of the Group have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

	2020 £000	2019 £000
At the beginning of the year	2,220	2,115
Tax on profit	(76)	(66)
Other comprehensive income	921	171
	3,065	2,220

17 Called up share capital

Share capital

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

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

Cash flow hedging 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.

Notes to the Financial Statements (continued)

18 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2020 £000	2019 £000
Financial assets that are debt instruments measured at amortised cost		
- Finance debtor	69,009	71,121
- Trade debtors	42	5
	69,051	71,126
Financial assets that are equity instruments measured at cost less impairment		
- Cash and cash equivalents	2,937	3,722
	2,937	3,722
Financial liabilities measured at amortised cost		
- Trade Creditors	(512)	(434)
- Other creditors	(348)	(310)
- Bank loans and overdrafts	(57,207)	(59,383)
- Subordinated debt	(4,973)	(6,550)
	(63,040)	(66,677)
Financial liabilities measured at fair value in a hedging relationship		
- Interest rate swap	(15,533)	(11,939)

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of the interest rate swap is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Notes to the Financial Statements (continued)

18 Financial instruments *(continued)*

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS 102 29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss.

2020

	Carrying Amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest Rate Swap	15,533	2,176	2,204	6,309	4,844
	15,533	2,176	2,204	6,309	4,844

2019

	Carrying Amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest Rate Swap	11,939	2,063	2,176	6,448	1,252
	11,939	2,063	2,176	6,448	1,252

The Company has entered into two interest rate swap agreements which expire in March 2038. A fixed rate of 3.187% and 1.256% applies to the two interest rate swaps. The interest rate swap converts the borrowings from the rates linked to LIBOR to the aforementioned fixed rates.

Notes to the Financial Statements (continued)

19 Related party disclosures

Name of related party	Relationship	Type Transaction	Transactions		Balance owed to/(from) at year end	
			2020 £000	2019 £000	2020 £000	2019 £000
S&W TLP (Hold Co Two) Limited Registered office: 46 Charles Street, Cardiff CF10 2GE	Subsidiary	Shareholder Loan and Interest	(1,624)	(647)	(3,753)	(4,998)
Infrastructure Investment Holdings Limited Registered office: 12 Charles II Street, London, SW1 4QU	Ultimate Shareholder	Shareholder Loan and Interest	1,624	647	3,753	4,998

20 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The immediate parent undertaking of the Company is Infrastructure Investment Holdings Limited and the ultimate controlling party is HICL Infrastructure PLC, a company incorporated in United Kingdom.

The largest group to prepare consolidated financial statements in which the company is included is that of which HICL Infrastructure PLC is the parent.

Copies of these financial statements can be obtained from its registered office at Level 7, One Bartholomew Close, Barts Square, London EC1A 7BL.

21 Post Balance Sheet Events disclosure

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Group has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project remains fully operational.