

S&W TLP (PSP Three) Limited

Annual Report and Financial Statements
Registered No: 07796782

31 March 2021



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

Company Information
for the Year Ended 31 March 2021

DIRECTORS: M G D Holden
N A Woodburn (Appointed 10th November 2021)

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 2021

The directors present their annual report on the group for the year ended 31 March 2021.

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 2021 (2020: 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 2021, deductions of £567 (2020: £22,524) had been levied which represents 0.015% (2020: 0.5%) of revenue. The directors believe the performance for the year to be satisfactory.

2. Financial performance

The directors have modelled the anticipated financial outcome of the concession across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 March 2021, the Group's performance against this measure was satisfactory.

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 2021

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.

Covid 19 risk

The Company 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 Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the 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, 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.

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.

Inflation Risk

The Company is exposed to inflation risk over the term of the PFI contract, particularly in respect of the operational and maintenance cost base but this is mitigated by having an indexed linked unitary charge from the Authority.

Climate change risk

The Company is in the early stages of assessing the impact of climate change on the business. Initial assessments have not identified any climate change impact that would materially impact the company's balance sheet or affect the going concern assumption.

Directors

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

M G D Holden
N A Woodburn (Appointed 10/11/2021)

Directors and Strategic Report exemption

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption under section 415A of the Companies Act 2006. Additionally, no Strategic Report has been prepared.

Directors' Report (continued)

For the year ended 31 March 2021

Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £9,013,000 (2020: £13,056,000). These net liabilities relate primarily to the recognition of unrealised losses on interest rate swaps 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, and therefore it remains appropriate to prepare the financial statements on a going concern basis.

Employees

The Company has no employees (2020: Nil)

Political and charitable contributions

The Company made no political or charitable contributions during the year (2020: £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 20th December 2021 and signed on its behalf by:



N A Woodburn
Director

46 Charles Street
Cardiff
CF10 2GE

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements 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).

Under company law, 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 company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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 company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's profit and the group's 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 2021; the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, and the consolidated statement of cash flows 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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

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 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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 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 in respect of the financial statements, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to those with a direct impact on the financial statements, for example tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to

Independent auditors' report to the members of S&W TLP (PSP Three) Limited (continued)

posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance of any knowledge or suspicion of fraud or breaches of laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Evaluation of the adequacy of the design of management's internal controls to prevent and detect irregularities;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the 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 company financial statements are not in agreement with the accounting records and returns.

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

21 December 2021

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	3	4,544	4,736
Cost of sales		(3,752)	(3,806)
Gross profit		792	930
Administrative expenses		(506)	(682)
Operating profit	4-6	286	248
Interest receivable and similar income	7	3,774	3,894
Interest payable and similar expenses	8	(3,397)	(3,625)
Profit before taxation		663	517
Tax on Profit	9	(126)	(76)
Profit for the financial year		537	441
Other comprehensive income/(expense)			
Items that will or may be reclassified to profit or loss			
Effective portion of fair value changes in cash flow hedges	18	4,328	(3,594)
Tax recognised in relation to change in fair value cash flow hedges	9	(822)	921
Other comprehensive income/(expense) for the year		3,506	(2,673)
Total comprehensive income/(expense) for the year		4,043	(2,232)
Total comprehensive income/(expense) for the year is attributable to:			
Owners of the parent		2,911	(1,607)
Non-controlling interests		1,132	(625)
		4,043	(2,232)

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

Consolidated Balance Sheet

As at 31 March 2021

	Note	2021 £000	2020 £000
Current assets			
Debtors (including £66,546,000 (2020: £69,841,000) amounts falling due after more than one year)	11	70,398	72,457
Cash at bank and in hand		3,010	2,937
		<hr/>	<hr/>
		73,408	75,394
Creditors: amounts falling due within one year	12	(9,572)	(8,796)
		<hr/>	<hr/>
Total assets less current liabilities		63,836	66,598
Creditors: amounts falling due after more than one year	13	(72,849)	(79,654)
		<hr/>	<hr/>
Net liabilities		(9,013)	(13,056)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	7	7
Cash flow hedge reserve		(6,543)	(9,059)
Profit and loss account		47	(348)
		<hr/>	<hr/>
Total Equity attributable to owners of the parent		(6,489)	(9,400)
Non-controlling interests		(2,524)	(3,656)
		<hr/>	<hr/>
Total equity		(9,013)	(13,056)
		<hr/>	<hr/>

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 20th December 2021 and signed on its behalf by:



N A Woodburn
Director

46 Charles Street
Cardiff
CF10 2GE

Company Balance Sheet
As at 31 March 2021

	Note	2021 £000	2020 £000
Fixed assets			
Investments	10	3,502	3,588
Current assets			
Debtors	11	424	216
Creditors: amounts falling due within one year	12	(519)	(311)
Total assets less current liabilities		3,407	3,493
Creditors: amounts falling due after more than one year	13	(3,400)	(3,486)
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 (2020: £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 20th December 2021 and signed on its behalf by:



N A Woodburn
Director

46 Charles Street
Cardiff
CF10 2GE

Registered Number: 07796782

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to owners of parent				Non-controlling interests £'000	Total Equity £'000
	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000		
Balance at 1 April 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)
	<u>-</u>	<u>(1,924)</u>	<u>319</u>	<u>(1,605)</u>	<u>(627)</u>	<u>(2,232)</u>
Total comprehensive expense for the year	<u>-</u>	<u>(1,924)</u>	<u>319</u>	<u>(1,605)</u>	<u>(627)</u>	<u>(2,232)</u>
Balance at 31 March 2020	<u>7</u>	<u>(9,059)</u>	<u>(348)</u>	<u>(9,400)</u>	<u>(3,656)</u>	<u>(13,056)</u>

	Attributable to owners of parent				Non-controlling interests £'000	Total Equity £'000
	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000		
Balance at 1 April 2020	7	(9,059)	(348)	(9,400)	(3,656)	(13,056)
Total comprehensive income for the year						
Profit for the financial year	-	-	387	387	150	537
Other comprehensive income	-	2,524	-	2,524	978	3,506
	<u>-</u>	<u>2,524</u>	<u>387</u>	<u>2,911</u>	<u>1,132</u>	<u>4,043</u>
Total comprehensive income for the year	<u>-</u>	<u>2,524</u>	<u>387</u>	<u>2,911</u>	<u>1,132</u>	<u>4,043</u>
Balance at 31 March 2021	<u>7</u>	<u>(6,535)</u>	<u>39</u>	<u>(6,489)</u>	<u>(2,524)</u>	<u>(9,013)</u>

Company Statement of Changes in Equity

For the year ended 31 March 2021

	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	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	7	-	-	7
	<hr/>	<hr/>	<hr/>	<hr/>

	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2020	7	-	-	7
Total comprehensive income for the year				
Result for the financial year	-	-	-	-
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	7	-	-	7
	<hr/>	<hr/>	<hr/>	<hr/>

Consolidated Statement of Cash Flows
For the year ended 31 March 2021

	2021 £000	2020 £000
Cash Flows from operating activities:		
Profit for the financial year	537	441
<i>Adjustments for:</i>		
Interest receivable and similar income	(3,774)	(3,894)
Interest payable and similar expenses	3,397	3,625
Taxation	126	76
	<hr/>	<hr/>
Operating Profit	286	248
Decrease in debtors	1,209	2,022
Increase in creditors	624	559
Tax paid	(98)	23
	<hr/>	<hr/>
Net cash inflow from operating activities	2,021	2,852
	<hr/>	<hr/>
Cash Flows from investing activities		
Interest received	3,774	3,894
	<hr/>	<hr/>
Net cash inflow from investing activities	3,774	3,894
	<hr/>	<hr/>
Cash Flows from financing activities		
Proceeds of long term borrowings	-	-
Repayment of borrowings	(2,410)	(3,787)
Interest paid	(3,312)	(3,744)
	<hr/>	<hr/>
Net cash outflow from financing activities	(5,722)	(7,531)
	<hr/>	<hr/>
Net increase/(decrease) in cash	73	(785)
Cash and cash equivalents at 1 April	2,937	3,722
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	3,010	2,937
	<hr/>	<hr/>

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.

The consolidated financial statements consolidate the financial statements of the company and its subsidiaries. Subsidiaries include all entities over which the company has control. Subsidiaries are consolidated from the date on which control is transferred to the Group. Intercompany transactions and balances are fully eliminated on consolidation.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The parent Company made a profit of £Nil in the period (2020: £Nil).

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.

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 £2,400,000 at the year end (2020: £2,265,000).

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.

3 Turnover

	2021 £000	2020 £000
Services income	4,544	4,736

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

4 Auditors' remuneration

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Audit of these financial statements and the financial statements of subsidiaries	20	4	19	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 (2020: £17,000).

6 Staff numbers and costs

The Company nor Group had no employees during the year under review (2020: NIL).

7 Interest receivable and similar income

	2021 £000	2020 £000
Finance debtor interest	3,774	3,894
	<u>3,774</u>	<u>3,894</u>

8 Interest payable and similar expenses

	2021 £000	2020 £000
Interest on bank loans	2,727	2,856
Interest on subordinated debt	588	691
Amortisation of debt issue costs and refinancing charges	33	33
Other similar charges	49	45
	<u>3,397</u>	<u>3,625</u>

Of the above £588,000 (2020: £691,000) of subordinated debt noted above, £423,000 (2020: £498,000) was payable to group undertakings.

Notes to the Financial Statements (continued)

9 Tax on profit

	2021 £000	2020 £000
<i>Total tax expense recognised in the profit and loss account, other comprehensive income and equity</i>		
Current tax	12	-
Total current tax	12	-
Deferred tax (see note 16)		
Effect of change in future tax rate	-	(22)
Origination/reversal of timing differences	114	98
Prior year adjustment	-	-
Total deferred tax	114	76
Total tax	126	76

Reconciliation of effective tax rate

The 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% (2020: 19%) are shown below.

	2021 £000	2020 £000
Profit/(loss) before taxation	663	517
Expected tax using the UK Corporation tax rate of 19% (2020: 19%)	126	98
Effect of change in future tax rate	-	(22)
Total tax charge included in profit or loss	126	76

	2021			2020		
	Current Tax £'000	Deferred Tax £'000	Total Tax £'000	Current Tax £'000	Deferred Tax £'000	Total Tax £'000
Recognised in Profit and loss account	12	114	126	-	76	76
Recognised directly in other comprehensive income	-	822	822	-	(921)	(921)
Total Tax	12	936	948	-	(845)	(845)

Notes to the Financial Statements (continued)

9 Tax on profit (continued)

Factors that may affect future current and total tax charges

A reduction in the main rate of corporation tax in the UK from 19% to 17% was substantively enacted in September 2016 and was scheduled to take effect from 1 April 2020, however in the 2020 Budget, the Government announced that this rate reduction would no longer occur. In March 2021, HMRC announced a corporation tax rate increase from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021.

10 Investments

Company	Equity £000	Sub debt £000	Total £000
At 1 April 2020	7	3,581	3,588
Repayment of sub debt	-	(86)	(86)
	<hr/>	<hr/>	<hr/>
At 31 March 2021	7	3,495	3,502
	<hr/>	<hr/>	<hr/>

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	England & Wales	7,200	72%
Registered office: 46 Charles Street, Cardiff CF10 2GE			
Indirectly held			
S&W TLP (Project Co Two) Limited	England & Wales	7,200	72%
Registered office: 46 Charles Street, Cardiff CF10 2GE			

11 Debtors

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Finance debtor	66,776	69,009	-	-
Trade debtors	1,035	42	-	-
Deferred tax asset (note 16)	2,129	3,065	-	-
Prepayments and accrued income	277	246	424	216
Corporation tax debtor	181	95	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	70,398	72,457	424	216
	<hr/>	<hr/>	<hr/>	<hr/>

Debtors include a financial debtor of £64,417,000 (2020: £66,776,000) and a deferred tax asset of £2,129,000 (2020: £3,065,000) due after more than one year.

Notes to the Financial Statements (continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans and overdrafts	2,215	2,259	-	-
Subordinated debt	128	137	95	95
Trade creditors	534	512	-	-
Other creditors	348	348	-	-
Accruals and deferred income	6,347	5,540	424	216
	<u>9,572</u>	<u>8,796</u>	<u>519</u>	<u>311</u>

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans and overdrafts	52,733	54,948	-	-
Subordinated debt	4,726	4,836	(3,400)	(3,486)
Other financial instruments (note 18)	11,205	15,533	-	-
Accruals and deferred income	4,185	4,337	-	-
	<u>72,849</u>	<u>79,654</u>	<u>(3,400)</u>	<u>(3,486)</u>

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 2020	2,430	59,750	62,180	2,937	65,117
Cashflows	(2,410)	-	(2,410)	73	(2,337)
Other non-cash changes	2,357	(2,325)	32	-	32
	<u>2,377</u>	<u>57,425</u>	<u>59,802</u>	<u>3,010</u>	<u>62,812</u>

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	
	2021 £000	2020 £000	2021 £000	2020 £000
Creditors amounts falling due after more than one year				
Bank loan	52,733	54,948	-	-
Subordinated debt	4,726	4,836	3,400	3,486
	<u>57,459</u>	<u>59,784</u>	<u>3,400</u>	<u>3,486</u>
Creditors amount falling due within one year				
Bank loan	2,215	2,259	-	-
Subordinated debt	128	137	95	95
	<u>2,343</u>	<u>2,396</u>	<u>95</u>	<u>95</u>
	<u>59,802</u>	<u>62,180</u>	<u>3,495</u>	<u>3,581</u>
	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Analysis of debt:				
Debt can be analysed as falling due:				
In one year or less, or on demand	2,343	2,396	95	95
- Between one and two years	2,247	2,343	81	95
- Between two and five years	6,837	6,568	229	227
- In five years or more	48,375	50,873	3,096	3,164
	<u>59,802</u>	<u>62,180</u>	<u>3,495</u>	<u>3,581</u>

Included within Bank loans is an amount repayable after five years of £44,480,000 (2020: £46,273,000) and included within subordinated debt are amounts repayable after five years of £4,295,000 (2020: £4,394,000) respectively.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment	2021 £000	2020 £000
Bank Loan	GBP	Libor + 3.187%	2038	Semi annual	54,948	57,207
Subordinated Debt	GBP	12%	2038	Semi annual	4,854	4,973

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.

Notes to the Financial Statements (continued)

15 Interest bearing loans and borrowings (*continued*)

The subordinated unsecured loan stock issued by 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.

16 Deferred tax

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

Deferred tax is provided at 19% (2020: 19%) in the financial statements as follows:

	2021 £000	2020 £000
Tax losses	-	114
Deferred tax on revaluation of fair value of derivatives	2,129	2,951
	<u>2,129</u>	<u>3,065</u>

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.

	2021 £000	2020 £000
At the beginning of the year	3,065	2,220
Tax on profit	(114)	(76)
Other comprehensive income	(822)	921
	<u>2,129</u>	<u>3,065</u>

17 Called up share capital

Share capital

	2021 £000	2020 £000
<i>Allotted, called up and unpaid</i>		
7,200 (2020: 7,200) ordinary shares at £1 each	7	7
	<u>7</u>	<u>7</u>

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

Cash flow 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:

	2021 £000	2020 £000
Financial assets that are debt instruments measured at amortised cost		
- Finance debtor	66,776	69,009
- Trade debtors	1,035	42
	<hr/> 67,811	<hr/> 69,051
Financial assets that are equity instruments measured at cost less impairment		
- Cash and cash equivalents	3,010	2,937
	<hr/> 3,010	<hr/> 2,937
Financial liabilities measured at amortised cost		
- Trade Creditors	(534)	(512)
- Other creditors	(348)	(348)
- Bank loans and overdrafts	(54,948)	(57,207)
- Subordinated debt	(4,854)	(4,973)
	<hr/> (60,684)	<hr/> (63,040)
Financial liabilities measured at fair value in a hedging relationship		
- Interest rate swap	(11,205)	(15,533)
	<hr/> (11,205)	<hr/> (15,533)

(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.

2021					
	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	11,205	2,204	2,155	6,380	466
	<u>11,205</u>	<u>2,204</u>	<u>2,155</u>	<u>6,380</u>	<u>466</u>
	<u>11,205</u>	<u>2,204</u>	<u>2,155</u>	<u>6,380</u>	<u>466</u>
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
	<u>15,533</u>	<u>2,176</u>	<u>2,204</u>	<u>6,309</u>	<u>4,844</u>
	<u>15,533</u>	<u>2,176</u>	<u>2,204</u>	<u>6,309</u>	<u>4,844</u>

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 (from)/to at year end	
			2021 £000	2020 £000	2021 £000	2020 £000
S&W TLP (Hold Co Two) Limited Registered office: 46 Charles Street, Cardiff CF10 2GE	Subsidiary	Shareholder Loan and Interest	(519)	(1,624)	(3,706)	(3,753)
Infrastructure Investment Holdings Limited Registered office: 12 Charles II Street, London, SW1 4QU	Ultimate Shareholder	Shareholder Loan and Interest	519	1,624	3,706	3,753

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.