



Edinburgh

Axiom Education (Edinburgh) Holdings Limited
(Reg No. 05937064)

Strategic report, Directors' report and audited financial statements
For the year ended
31 December 2021



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Strategic report

Business review

The Company acts as a holding company for the investment in its subsidiary undertaking, Axiom Education (Edinburgh) Limited.

The profit for the year was nil (2020: £420,000). The Company received and paid on to its parent £2,410,000 of subordinated debt interest (2020: £1,143,000). No dividend was received and paid to the parent company within the year.

The net assets of the Company are in a satisfactory position and have increased in the year from £24,906,000 in 2020 to £25,590,000 in 2021 which is driven mainly by the revaluation profit on the investment of £684,000 decreasing the revaluation reserve.

As the Company acts as a holding company only, there are no relevant future developments planned.

Key performance indicators

In its position as a holding company, there are no relevant KPI's for the Company.

Duty to promote the success of the Company

The directors have given careful consideration to the requirements of Section 172 of the Companies Act 2006. They recognise that the long-term success of the Company is dependent on recognising the interests of its key stakeholders, which include the public sector, suppliers, shareholders and the local community, and in doing so have regard (amongst other matters) to;

- the likely consequence of any decisions supported and underpinned by regular and detailed financial forecasting;
 - semi-annual updates of the financial model are used to support decisions made by the Directors and ensure the long term implications are not detrimental to the Company's stakeholders.
- that the Company has no direct employees;
- the need to foster the Company's business relationships with its public sector client, its supply chain and other key stakeholders through active engagement with relevant decision makers;
 - Suppliers – The Directors aim to ensure the Company's key supplier, Mitie PFI's, interest are considered and have regular liaison meetings. In addition key staff that worked through the pandemic were given vouchers by the Company in recognition for their work.
 - Public Sector Client – The Directors have worked with key personnel within the schools to promote the ESG initiative that allows the school to apply for funds from the Company to assist with a project or activity that will benefit the school.
- the impact of the Company's operations on the community and the environment through embedding itself at the heart of the community. The use of the Company's assets as community facilities ensure that they are considered a key part of the local communities;
- the desirability of the Company in maintaining a reputation for high standards of business conduct achieved through regular monitoring against a series of key performance indicators; and

the need to consider the best interests of the Company's shareholders as underpinned by relevant Shareholder Agreement.

Key risks and uncertainties

The key risk for the Company is the ability of its subsidiary to repay the subordinated debt and therefore allow the Company to service its own debt.

City of Edinburgh Council (the "Authority") is the sole client of the Company's subsidiary, but the directors consider that no risk arises from such a small client base since the Secretary of State for Education has implicitly underwritten the Authority's obligations.

Most of the performance risk under the Project Agreement and related contracts is passed on to the subcontractors Mitie PFI. The obligations of the service provider and building subcontractor are underwritten by respective parent company guarantees. The Company's subsidiary is exposed to the risk of non-performance by its subcontractors; however, penalties imposed by the Authority will be passed onto the subcontractor at fault under the terms of the subcontracts.

Strategic report (continued)

Key risks and uncertainties (continued)

Mitie PFI has been operating and maintaining the new project facilities since the first school opened in November 2008. The relationship between the Company and Mitie PFI is excellent with the parties meeting formally on a regular basis with ad hoc meetings held when required. Both parties have a very positive working relationship with the Authority at a management level and with the individual schools. Mitie PFI's performance is generally very good and this is reflected in the low level of deductions applied.

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. 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.

Going concern

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.

The Company was able to meet the financial covenants as at March 2021, September 2021 and March 2022, and is forecast to meet them over the remaining concession period.

Taking into account reasonable possible risks in operations to the Company, the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for Education, the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

Climate Change risk

The Company has considered whether it is exposed to additional risks as a result of climate change and has not identified any risks that would significantly impact the Company. This is primarily due to nature of the operations of the project, where the majority of work is performed by sub-contractors who are responsible for the associated risks. Whilst, the Company is subject to SPV costs through the provision and maintenance of facilities including, for instance, heating systems, the Company's contractual protections are expected to protect the Company from changes in law that result in any longer term pricing risk associated with climate change.

The Company has adopted the operational control boundary approach for the measurement of energy emissions, as the Directors believe this reflects the level of emissions that can be actively controlled and reduced. The Company does not have operational control over the underlying asset and utilisation of the energy and as a result is classed as a low energy user.

By order of the board



Neil Woodburn
Director

28 June 2022

Blake House, 3 Frayswater Place
Uxbridge, Middlesex UB8 2AD

Directors' report

The directors present their report and the audited financial statements of Axiom Education (Edinburgh) Holdings Limited ("the Company") for the year ended 31 December 2021.

Activities

The principal activity of the Company is to act as a holding company for the investment in its subsidiary undertaking.

Results and dividends

There were no dividends paid in the year (2020: £420,000).

Directors and director's interests

The directors of the Company during the year and up to the date of this report were as follows:

Mark Holden – resigned 7 October 2021

Natalia Poupard

Neil Woodburn – appointed 7 October 2021

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Political and charitable contributions

There were no donations of a political or charitable nature made during the current or prior years.

Disclosure of information to the auditor

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

Auditor

During the year KMPG LLP resigned as auditor. Johnston Carmichael LLP were subsequently appointed. Pursuant to section 489 of the Companies Act 2006, as a resolution was proposed that the auditor be reappointed and Johnston Carmichael LLP continue in office.

By order of the Board



Neil Woodburn

Director

Blake House ,
3 Frayswater Place
Uxbridge,
Middlesex
UB8 2AD

28 June 2022

Statement of directors' responsibilities in respect of the Strategic Report, the Director's Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law, 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 Company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Axiom Education (Edinburgh) Holdings Limited

Opinion

We have audited the financial statements of Axiom Education (Edinburgh) Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss account, Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Axiom Education (Edinburgh) Holdings Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Extent to which the audit is considered capable of detecting irregularities, including fraud

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:

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- FRS 102
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries by review of submitted returns and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

Independent Auditor's Report to the Members of Axiom Education (Edinburgh) Holdings Limited

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services; and
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

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

Johnston Carmichael LLP
Irvine Spowart (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

30 June 2022

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

Profit and Loss Account and Statement of Other Comprehensive Income
for the year ended 31 December 2021

	<i>Notes</i>	2021 £'000	2020 £'000
Interest payable and similar expenses	6	(2,410)	(1,143)
Interest receivable and similar income	7	2,410	1,143
Dividends Receivable		-	420
Profit before taxation		-	420
Tax on profit	8	-	-
Profit after taxation		-	420
Other Comprehensive Income			
<i>Items that will or may be reclassified to profit and loss.</i>			
Revaluation of Investments	9	684	(1,301)
Other Comprehensive Income/(loss) for the year		684	(1,301)
Total Comprehensive Income/(loss) for the year		684	(881)

The results above are all in respect of the continuing operations of the Company.

The notes on pages 11 to 18 form an integral part of the financial statements.

Balance Sheet

as at 31 December 2021

Reg No.05937064

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	9	25,588	24,904
Current assets			
Debtors: amounts falling due within one year	10	248	1,451
Debtors: amounts falling due over one year	11	7,720	8,939
Cash at bank in hand		2	2
Total current assets		<u>7,970</u>	<u>10,392</u>
Total assets		<u>33,558</u>	<u>35,296</u>
Current liabilities			
Creditors: amounts falling due within one year	12	(248)	(1,451)
Net current assets		<u>7,722</u>	<u>8,941</u>
Total assets less current liabilities		<u>33,310</u>	<u>33,845</u>
Creditors: amounts falling due after more than one year	13	(7,720)	(8,939)
Net assets		<u>25,590</u>	<u>24,906</u>
Capital and reserves			
Called up share capital	15	174	174
Revaluation reserve		25,415	24,731
Profit and loss account		1	1
Shareholders' funds		<u>25,590</u>	<u>24,906</u>

The financial statements were approved by the Board of Directors on

28 June 2022 and signed on its behalf by:



Neil Woodburn
Director

The notes on pages 11 to 18 form an integral part of the financial statements.

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2020	174	26,032	1	26,207
Total comprehensive income for the period				
Profit	-	-	420	420
Other comprehensive income	-	(1,301)	-	(1,301)
-Total comprehensive loss for the period	-	(1,301)	420	(881)
Dividends	-	-	(420)	(420)
Total contributions by and distributions to owners	-	-	(420)	(420)
Balance at 31 December 2020	174	24,731	1	24,906

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2021	174	24,731	1	24,906
Total comprehensive income for the period				
Profit	-	-	-	-
Other comprehensive income	-	684	-	684
Total comprehensive income for the period	-	684	-	684
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2021	174	25,415	1	25,590

The notes on pages 11 to 18 form an integral part of the financial statements.

Notes to the Financial Statements

1 Basis of preparation

Axiom Education (Edinburgh) Holdings Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in England in the UK. 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”). The registered company number is 05937064 and the registered address is Blake House, 3 Frayswater Place, Uxbridge, Middlesex UB8 2AD.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s parent undertaking, Zealburg Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Zealburg Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from the registered address in note 18. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes including disclosure of changes in net debt; and
- Key Management Personnel compensation.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Zealburg Holdings Limited. These financial statements present information about the Company as an individual undertaking and not about its group.

As the Company is a wholly owned subsidiary of Zealburg Holdings Limited, the Company has taken advantage of the exemption covered in FRS102 section 33 and has therefore not disclosed transactions or balances with entities which form part of that group (or investees of the group qualifying as related parties).

As the consolidated financial statements of Zealburg Holdings Limited include disclosures equivalent to these required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102-11 Basic Financial Instruments and FRS 102-12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 19.

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: Investments in subsidiaries

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of 15 months from the date of approval of these financial statements through to 30 September 2023 which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. As the principal activity of the Company is to hold an investment in Axiom Education (Edinburgh) Limited, the Directors are not expecting any transactions for the foreseeable future that will impact the Shareholder’s Funds. The Directors therefore believe that the Company will be able to settle its liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

Notes to the Financial Statements *(continued)*

1 Basis of preparation *(continued)*

They are satisfied that the interest receipts from the Company's subsidiary, Axiom Education (Edinburgh) Limited, will be received and can service the interest payments to the loan note holder.

The risks faced in relation to the UK's exit from the European Union have also been considered in relation to the going concern of the Company. The assessments carried out by the Company and the key service provider of the Company's subsidiary, Mitie PFI, has satisfied directors that the risks have been considered and mitigated where possible, supporting the going concern basis for preparation of these financial statements.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Investments

Investments are held at fair value with changes in fair value going through the revaluation reserve.

Fair value has been calculated by the directors based upon the forecast cashflows of the group discounted at an appropriate rate to account for the risk of the specific project.

(b) 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.

(c) Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end, have been approved by the shareholders and are therefore irrevocable. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(d) Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

Notes to the Financial Statements *(continued)*

1 Basis of preparation *(continued)*

They are satisfied that the interest receipts from the Company's subsidiary, Axiom Education (Edinburgh) Limited, will be received and can service the interest payments to the loan note holder.

The risks faced in relation to the UK's exit from the European Union have also been considered in relation to the going concern of the Company. The assessments carried out by the Company and the key service provider of the Company's subsidiary, Mitie PFI, has satisfied directors that the risks have been considered and mitigated where possible, supporting the going concern basis for preparation of these financial statements.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Investments

Investments are held at fair value with changes in fair value going through the revaluation reserve.

Fair value has been calculated by the directors based upon the forecast cashflows of the group discounted at an appropriate rate to account for the risk of the specific project.

(b) 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.

(c) Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end, have been approved by the shareholders and are therefore irrevocable. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(d) Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

Notes to the Financial Statements *(continued)*

2 Accounting policies *(continued)*

Trade and other debtors / creditors

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

(e) Expenses

Interest receivable and Interest payable

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

Other interest receivable and similar income include interest receivable on funds invested and interest receivable on amounts lent to group undertakings.

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

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

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

3 Audit fees

	2021 £'000	2020 £'000
Auditor's remuneration		
Audit of these financial statements	1	1
	<u>1</u>	<u>1</u>

The audit fees are borne by Axiom Education (Edinburgh) Limited. Auditor's Remuneration is payable to Johnston Carmichael LLP (2020: KPMG LLP).

4 Staff numbers and costs

The Company had no employees in either the current or the prior year.

5 Remuneration of Directors

The directors received no remuneration for their services (2020: £nil). The directors' duties to this Company are incidental and as a result, no qualifying services have been performed.

Notes to the Financial Statements *(continued)*

6 Interest payable and similar expenses

	2021 £'000	2020 £'000
Subordinated loan note interest payable	2,410	1,143
	<u>2,410</u>	<u>1,143</u>

7 Interest receivable and similar income

	2021 £'000	2020 £'000
Subordinated loan note interest receivable	2,410	1,143
	<u>2,410</u>	<u>1,143</u>

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £'000	2020 £'000
Total current tax	-	-

	2021 £'000	2020 £'000
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total Tax	<u>-</u>	<u>-</u>

Reconciliation of effective tax rate

	2021 £'000	2020 £'000
Profit before taxation	-	420
Current tax at 19%	-	80
<i>Effect of:</i>		
Dividend not taxable	-	(80)
Total Tax expense included in Profit and Loss	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The chancellor announced in the Budget on 3 March 2021 that there would be an increase in the top rate of corporation tax to 25% for companies generating taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. This change becomes effective from 1 April 2023.

Notes to the Financial Statements *(continued)*

9 Investment

	Investment in subsidiary undertakings
	£'000
At 31 December 2020	24,904
Revaluation gain	684
At 31 December 2021	25,588

Investments in subsidiary undertaking are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior year. The valuation assumes discount rate of 6.1% (2020: 6.85%), tax rate of 19%, (2020: 19%) and inflation rate of 6.5% (2020: 2.5%).

Subsidiary undertaking	Registered Office	Country of incorporation	Principal activity	Class & percentage of shares held
Axiom Education (Edinburgh) Limited	Blake House , 3 Frayswater Place Uxbridge, Middlesex UB8 2AD	England	PFI	100% of Ordinary Shares

10 Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Subordinated loan notes receivable	-	-
Amounts owed by group undertakings	1,164	1,164
Other debtors	248	287
	1,412	1,451

Notes to the Financial Statements *(continued)*

11 Debtors: amounts falling due over one year

	2021 £'000	2020 £'000
Subordinated loan notes receivable	<u>7,720</u>	<u>8,939</u>

On 4 July 2011, the Company acquired unsecured loan notes of £12,539,000 issued by its subsidiary, Axiom Education (Edinburgh) Limited. The loan notes receivable and payable attract interest at a rate of 12.75% payable annually and are repayable by 2037.

12 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Subordinated loan notes payable	-	-
Amounts owed to group undertakings	1,164	1,164
Accruals	<u>248</u>	<u>287</u>
	<u>1,412</u>	<u>1,451</u>

13 Creditors: amounts falling due over one year

	2021 £'000	2020 £'000
Subordinated loan notes payable	<u>7,720</u>	<u>8,939</u>

On 4 July 2011, the Company issued unsecured subordinated loan notes of £12,539,000. The loan notes payable attract interest at a rate of 12.75% receivable annually. The loan notes are repayable by 2037 in installments.

14 Analysis of debt

	2021 £'000	2020 £'000
Debt can be analysed as falling due:		
In one year or less, or on demand	-	-
Between two and five years	-	-
In five years or more	<u>7,720</u>	<u>8,939</u>
	<u>7,720</u>	<u>8,939</u>

Notes to the Financial Statements *(continued)*

15 Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid:		
174,000 ordinary shares of £1 each	174	174

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.

16 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2021 £'000	2020 £'000
Assets measured at fair value through other comprehensive income		
Investment	25,588	24,904
Assets measured at amortised cost		
- Trade and other debtors	1,412	1,451
- Subordinated debt	7,720	8,939
Assets measured at cost less impairment		
- Cash and Cash equivalents	2	2
Liabilities measured at amortised cost		
- Accruals and amounts owed to group undertakings	(1,412)	(1,451)
- Subordinated debt	(7,720)	(8,939)

Notes to the Financial Statements *(continued)*

17 Related party transactions

Infrastructure Investments LP is an intermediate Holding Company of the Company.

During the year, the Company incurred costs charges by these related parties as follows:

	Transactions		Balance owed to/(from) at year end	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Subordinated debt interest				
Infrastructure Investments LP	2,410	1,143	248	287
Subordinated debt capital				
Infrastructure Investments LP	-	-	7,720	8,939
	2,410	1,143	7,968	9,226

18 Ultimate controlling parties

The Company is a subsidiary undertaking of Zealburg Holdings Limited, a company incorporated and domiciled in England in the UK.

The smallest and largest Group in which the results of the Company are consolidated is that headed by Zealburg Holdings Limited a Company incorporated in England in the UK. The consolidated accounts of this Group are available to the public and may be obtained from One Bartholomew Close, Barts Square, London, England, EC1A 7BL.

HICL Infrastructure Plc is the ultimate controlling party, incorporated in England, in the UK. The registered address for this company is One Bartholomew Close, Barts Square, London, England, EC1A 7BL.

19 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty are described below:

- Valuation of the investment in subsidiaries requires critical judgments of discount rate, inflation and tax rates applied to the future cashflows of the investment.