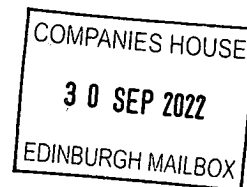
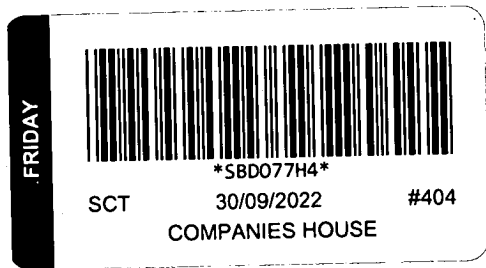


REGISTERED NUMBER: 06096067 (England and Wales)

**Strategic Report, Directors' Report and
Audited Financial Statements for the Year Ended 30 September 2021
for
Pyramid Schools (Plymouth) Limited**



Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Contents of the Financial Statements for the Year Ended 30 September 2021

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Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Company Information for the Year Ended 30 September 2021

Directors:	P K Johnstone I D Lamerton
Secretary:	Resolis Limited
Registered office:	C/O Dalmore Capital Limited Watling House - 5th Floor 33 Cannon Street London EC4M 5SB
Registered number:	06096067 (England and Wales)
Independent auditor:	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE
Bankers:	Barclays Bank Plc 1 Churchill Place London E14 5HP

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Strategic Report for the Year Ended 30 September 2021

The directors present their strategic report for the year ended 30 September 2021.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The Company was formed to enter into a Private Finance Initiative (PFI) concession contract with the Plymouth City Council ("PCC") to design, build, finance and operate two schools in Plymouth. The contract was signed in February 2007, construction commenced immediately, and full services started in 2008. The contract will run until 2033. There have not been any changes in the Company's activities in the year under review, and the directors are not aware, at the date of this report, of any likely changes in activity for the foreseeable future.

In the year, the Company made a profit of £376,000 (2020: £563,000).

Company's strategy

The Company's operations are managed under the supervision of Environments for Learning Limited and are largely determined by the detailed terms of the key performance indicators in the PFI contract with PCC and the Subcontract with Interserve Construction Limited ("ICL") who supply the construction and facilities maintenance services throughout the life of the concession. For this reason, the Company's Directors believe that no other key performance indicators apart from profit are necessary or appropriate for an understanding of the performance or position of the business.

The PFI contract and Subcontract with Interserve Construction Limited which follows a set formulae for the life of the contract and this enables the Company to have certainty over its income and major expense until 2033. Furthermore, the Company has a Credit Agreement with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2033.

Key performance indicators

The Company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the key performance indicators of the PFI contract. For this reason, the Company's directors believe that no other key performance indicators apart from profit are necessary or appropriate for an understanding of the performance or position of the business.

Principal risks and uncertainties

The Company's principal activity as detailed above is risk averse as are its trading relationships with its customers, funders and sub-contractors which are determined by the terms of their respective detailed PFI contracts. Its main exposure is to financial risks as detailed in the following section.

One of the risks of the Company is that services may not be able to continue due to the financial failure of one of the Company's subcontractors. The financial stability of the facilities management company is being monitored. The Directors have reviewed the benchmarking information on the facilities management contract fee and are comfortable that this is a market rate, which would enable replacement of the contractor for a similar fee.

Financial risk management

The Company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance.

The board has policies for managing each of these risks and they are summarised below:

Interest rate risk

The Company hedged its interest rate risk at the inception of the project by swapping its variable rate debt into fixed rate by the use of an interest rate swap. Interest is recognised on the accruals basis at the appropriate date.

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Strategic Report for the Year Ended 30 September 2021

The Company's borrowings have been linked to LIBOR during the year and the Company has entered into interest rate swaps to restrict its exposure to future interest rate fluctuations. The UK Financial regulator (the FCA) had previously legislated that GBP LIBOR would cease to be published after 31 December 2021. As a result the Company have undergone a review alongside relevant lenders and have established an alternative to LIBOR and it has been agreed they will transition to SONIA on 30 September 2022. SONIA is a backwards-looking rate reflecting interest rates that banks pay to borrow sterling overnight from other banks whereas LIBOR is forward-looking estimating borrowing rates. The differentiator from LIBOR is that SONIA is based on real market transaction data and thus more risk adverse and more robust. To evaluate whether there is an economic relationship between the hedged items and the hedging instruments, the Company will continue to apply hedge effectiveness throughout the transition period.

Inflation risk

The Company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

Liquidity risk

The Company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project, cash flows are reasonably predictable and so this is not a major risk area for the Company.

At the start of the PFI contract, the Company negotiated debt facilities with an external party to ensure that the Company has sufficient funds over the life of the PFI concession. At the end of the last financial year, those facilities were in default and as a result, the long-term debt was recognised as due within one year. The circumstances of the default can be found in the notes to the accounts under the going concern section. The event of default was resolved during this financial year and the loan has been recognised with payments due as per the original loan agreement.

Credit risk

The Company receives the majority of its revenue from a local authority and therefore is not exposed to significant credit risk. Cash investments and interest rate swap arrangement are with institutions of a suitable credit quality.

Ownership

The Company's immediate parent is Pyramid School (Plymouth) Holdings Limited, which is owned by Environments for Learning Limited. Environments for Learning Limited is owned by Coral Project Investments LP and Dalmore Capital Fund LP, both operating in the United Kingdom and acting by their manager Dalmore Capital Limited. In the opinion of the directors, these two entities ultimately control the Company.

Going concern

Pyramid Schools (Plymouth) Limited (the 'Project Company') has a Credit Agreement with lenders. Under the agreement, Interserve PLC provided a parent company guarantee (PCG) for the Building and FM subcontractor, Interserve Construction Limited, which is a subsidiary of Interserve PLC. On the 15 March 2019, Interserve PLC went into administration, as a result of which Interserve Construction Limited was sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders.

Under the Credit Agreement with the lenders, if the PCG enters administration, this triggers an Event of Default. Once Interserve PLC entered administration, an Event of Default occurred. On 24 November 2020, an agreement was reached accepting the PCG of Interserve Group Limited for Interserve Construction Limited. A lender consent letter was signed waiving the subsisting Event of Default. As a result, the Company is no longer in default due to the administration of Interserve PLC.

Furthermore, on 25 June 2020 Interserve Group Limited and Mitie Group Plc announced that they had signed a Sale and Purchase Agreement for the merger of Interserve's Facilities Management (FM) businesses with that of Mitie Group Plc. On 30 November 2020 Mitie Group Plc completed the merger of Interserve's FM businesses and that with effect from 1 December 2020 Interserve's FM businesses are now owned by Mitie Group Plc. Additionally, the FM obligations of Interserve Construction Limited are currently in the process of being novated to Mitie FM Limited (formerly known as Interserve (Facilities Management) Ltd), where this is in the final stages of completion. Services have not been affected by these changes in Interserve structure.

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Strategic Report for the Year Ended 30 September 2021

The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the Company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit agreement. Therefore, the directors, having considered the financial position of the Company and its expected future cash flows, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the Company or cease trading as we consider we have realistic alternatives to doing so.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company is still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, the customer, Plymouth City Council, have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note, and the onward payments to the Facilities Management company have continued to be paid in accordance with the Project Agreement.

The net current assets of the business are positive, however, the Company is in a net liability / deficit position because of the inclusion of the derivative liability (and the resulting loss) on balance sheet which hedges an off-balance sheet exposure.

The directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.

On behalf of the board

DocuSigned by:
Ian Lamerton
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I D Lamerton - Director

Date: 30 September 2022

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Directors' Report for the Year Ended 30 September 2021

The directors present their report with the financial statements of the Company for the year ended 30 September 2021.

Principal activities

The principal activity of the Company is to design, finance, construct, refurbish and operate two schools in Plymouth, under a concession agreement signed on 27th February 2007 with the Plymouth City Council ("PCC").

Strategic report

The information that fulfils the Companies Act 2006 requirements of the business review is included in the strategic report. This includes a review of the development of the business of the Company during the year, of its position at the end of the year including a going concern statement, financial risk exposure and management and the likely future developments in its business.

Going concern

Information related to the going concern assumptions and subsequent events is included in the strategic report. Details of the principal risk and uncertainties are included in the strategic report.

Results

The results of the Company are as set out in the statement of comprehensive income on page 11.

Employees

The Company has no direct employees (2020: nil).

Dividends

The directors declared and paid a dividend in 2021 of £992,000 (2020 : £Nil). A dividend of £269,000 was proposed and paid on 4 October 2021. A further dividend of £268,000 was proposed and paid on 29 April 2022.

Directors

The directors during the year under review were:

P K Johnstone
I D Lamerton

The directors holding office at 30 September 2021 did not hold any beneficial interest in the issued share capital of the Company at 1 October 2020 or 30 September 2021.

No appointments or resignations of directors occurred between the year end and the date of approval of these financial statements.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Statement as to disclosure of information to auditors

Each of the directors who held office at the date of approval of this directors' report confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Directors' Report for the Year Ended 30 September 2021

Future Developments

Information related to the future developments of the Company is included in the strategic report.

Auditor

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

On behalf of the board

DocuSigned by:

Ian Lamerton

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I D Lamerton - Director

Date: 30 September 2022

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Statement of Directors' Responsibilities for the Year Ended 30 September 2021

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor's Report to the Members of Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Opinion

We have audited the financial statements of Pyramid Schools (Plymouth) Limited (the 'Company') for the year ended 30 September 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 30 September 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 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.

Independent Auditor's Report to the Members of Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

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.

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 or the Directors' Report.

We have nothing to report in respect of the following matters where 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 seven, 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 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.

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 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.

Independent Auditor's Report to the Members of Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

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.

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 for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- 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;
- Agreement of the financial statement disclosures to supporting documentation.

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 risk 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.

**Independent Auditor's Report to the Members of
Pyramid Schools (Plymouth) Limited (Registered number: 06096067)**

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.



Grant Roger (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

Date: 30 September 2022

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Statement of Comprehensive Income for the Year Ended 30 September 2021

	Notes	2021 £'000	2020 £'000
Turnover	4	3,407	3,383
Cost of sales		(2,518)	(2,250)
Gross profit		889	1,133
Administrative expenses		(357)	(357)
Operating profit	8	532	776
Interest receivable and similar income	6	1,672	1,767
Interest payable and similar expenses	7	(1,740)	(1,848)
Profit before taxation		464	695
Tax on profit	9	(88)	(132)
Profit for the financial year		376	563
Other comprehensive income			
Fair value movement of derivatives	16	2,303	385
Income tax relating to other comprehensive income	9	(115)	88
Other comprehensive income		2,188	473
Total comprehensive income		2,564	1,036

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

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Statement of Financial Position for the Year Ended 30 September 2021

	Notes	2021 £'000	2020 £'000
Current assets			
Debtors: amounts falling due within one year	11	2,597	3,175
Debtors: amounts falling due after more than one year	11	24,141	25,735
Cash in hand		2,455	3,384
		<u>29,193</u>	<u>32,294</u>
Creditors: amounts falling due within one year	12	(4,467)	(26,705)
Net current assets		<u>24,726</u>	<u>5,589</u>
Total assets less current liabilities		24,726	5,589
Creditors: amounts falling due after more than one year	13	(27,025)	(9,460)
Net liabilities		<u>(2,299)</u>	<u>(3,871)</u>
Capital and reserves			
Called up share capital	15	1	1
Cash flow hedging reserves	16	(4,033)	(6,221)
Retained earnings	16	1,733	2,349
Shareholders' funds		<u>(2,299)</u>	<u>(3,871)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2022 and were signed on its behalf by:

DocuSigned by:

Ian Lamerton

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I D Lamerton - Director

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

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Statement of Changes in Equity for the Year Ended 30 September 2021

	Called up share capital £'000	Retained earnings £'000	Cash flow hedging reserves £'000	Total equity £'000
Balance at 1 October 2019	1	1,786	(6,694)	(4,907)
Changes in equity				
Profit for the year	-	563	-	563
Other comprehensive income	-	-	473	473
Total comprehensive income	-	563	473	1,036
Dividends	-	-	-	-
Balance at 30 September 2020	1	2,349	(6,221)	(3,871)
Changes in equity				
Profit for the year	-	376	-	376
Other comprehensive income	-	-	2,188	2,188
Total comprehensive income	-	376	2,188	2,564
Dividends	-	(992)	-	(992)
Balance at 30 September 2021	1	1,733	(4,033)	(2,299)

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

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Notes to the Financial Statements for the Year Ended 30 September 2021

1. Statutory information

Pyramid Schools (Plymouth) Limited is a private company, limited by shares. The Company was incorporated in the United Kingdom, registered in England and Wales and is domiciled in the United Kingdom. The Company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£). Monetary amounts in these financial statements are rounded to the nearest £'000.

The principal activities of the Company are disclosed in the directors' report.

2. Accounting policies

2.1 Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

2.3 Going concern

Pyramid Schools (Plymouth) Limited (the 'Project Company') has a Credit Agreement with lenders. Under the agreement, Interserve PLC provided a parent company guarantee (PCG) for the Building and FM subcontractor, Interserve Construction Limited, which is a subsidiary of Interserve PLC. On the 15 March 2019, Interserve PLC went into administration, as a result of which Interserve Construction Limited was sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders.

Under the Credit Agreement with the lenders, if the PCG enters administration, this triggers an Event of Default. Once Interserve PLC entered administration, an Event of Default occurred. On 24 November 2020, an agreement was reached accepting the PCG of Interserve Group Limited for Interserve Construction Limited. A lender consent letter was signed waiving the subsisting Event of Default. As a result, the Company is no longer in default due to the administration of Interserve PLC.

Furthermore, on 25 June 2020 Interserve Group Limited and Mitie Group Plc announced that they had signed a Sale and Purchase Agreement for the merger of Interserve's Facilities Management (FM) businesses with that of Mitie Group Plc. On 30 November 2020 Mitie Group Plc completed the merger of Interserve's FM businesses and that with effect from 1 December 2020 Interserve's FM businesses are now owned by Mitie Group Plc. Additionally, the FM obligations of Interserve Construction Limited are currently in the process of being novated to Mitie FM Limited (formerly known as Interserve (Facilities Management) Ltd), where this is in the final stages of completion. Services have not been affected by these changes in Interserve structure.

Pyramid Schools (Plymouth) Limited (Registered number: 06096067)

Notes to the Financial Statements for the Year Ended 30 September 2021

The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the Company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit Agreement. Therefore, the directors, having considered the financial position of the Company and its expected future cash flows, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the Company or cease trading as we consider we have realistic alternatives to doing so.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the PFI contract as the sub-contracted Facilities Management company remains able to meet its contractual obligations. This is because its work is deemed to be essential and its employees are deemed to be key workers according to the guidance notes released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, the customer, Plymouth City Council, have continued making unitary payments in accordance with the Infrastructure and Projects Authority guidance note, and the onward payments to the Facilities Management company have continued to be paid in accordance with the Project Agreement.

The net current assets of the business are positive, however, the Company is in a net liability / deficit position because of the inclusion of the derivative liability (and the resulting loss) on balance sheet which hedges an off-balance sheet exposure.

The directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.

2.4 Accounting for PFI contracts

The Company has taken advantage of exemptions made available under section 35 10 (i) of FRS 102, and as such there has been no substantial change to the treatment of the financial asset receivable due to the adoption of the standard.

Under the terms of the contract, substantially all the risks and rewards of ownership of the property remain with the Plymouth City Council.

During the period of construction, costs incurred as a direct consequence of financing, designing and constructing the schools, including finance costs, are capitalised and shown as work in progress. On completion of the construction, credit is taken for the deemed sale, which is recorded within turnover. The construction expenditure and associated costs are reallocated to cost of sales. Amounts receivable are classified as a financial asset receivable (PFI debtor).

Revenues received from the customer are apportioned between:

- capital repayments;
- finance income; and
- operating revenue.

2.5 Service concessions

The Company has been established to provide services under certain private finance agreements with Plymouth City Council. Under the terms of these agreements, the Council (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal asset, of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

Notes to the Financial Statements for the Year Ended 30 September 2021

2.6 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances are initially measured at transaction price including transaction costs and are subsequently carried at amortised costs using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate interest.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of the interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting its liabilities.

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Notes to the Financial Statements for the Year Ended 30 September 2021

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payable are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are present as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

2.7 Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the fair value of the derivative financial instrument is recognised directly in the statement of comprehensive income as other comprehensive income or expense. Any ineffective portion of the hedge is recognised immediately in profit or loss.

Where hedge accounting recognises a liability then an associated deferred tax asset is also recognised.

2.8 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

2.9 Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Notes to the Financial Statements for the Year Ended 30 September 2021

Deferred tax is provided in full on timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items or income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

2.10 Deferred tax

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

3. Critical accounting policies and key judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of 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

Accounting for the service concession contract and finance asset require an estimation of service margins, finance asset's interest rate and associated amortisation profile which is based on forecast results of the PFI contract.

Critical judgements in applying the Company's accounting policies

Derivative financial instruments are held at fair value and the applicability of hedge accounting are detailed below.

Accounting for service concessions and PFI contracts

The Company has been established to provide services under certain private finance agreements with Plymouth City Council. Under the terms of these agreements, the Council (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal asset, of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Company has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10(i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 October 2014). The nature of the asset has therefore not changed.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Council), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Revenue is recognised from the supply of services, which represents the timing of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

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Notes to the Financial Statements for the Year Ended 30 September 2021

Derivative financial instruments

The Company holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract. See Hedge Accounting below for how the derivative is accounted for.

Cashflow certainty of hedges

Due to the event of default in early 2019, the bank loan of the PFI had previously been presented as a current liability. The default occurred due to the liquidation of the parent company guarantor (PCG). The Company resolved this issue with the bank during the year where Interserve Group Limited was confirmed as the new guarantor of the loan, and a waiver accepting the new PCG was signed on 24 November 2020. Therefore, the application of hedge accounting has remained unaffected and the forecast and hedged payments under the facility will remain as they originally were. The remaining repayments are anticipated to be made as per the repayment schedule in the bank and swap agreements.

4. Turnover

The turnover and profit before taxation are attributable to the principal activities of the Company.

An analysis of turnover by class of business is given below:

	2021	2020
	£'000	£'000
Turnover from operations	2,626	2,661
Turnover from pass through costs	781	722
	<u>3,407</u>	<u>3,383</u>

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided, and is recognised each year as the applicable portions of the amounts receivable relating to finance and operating costs calculated on a consistent basis (see accounting policy note 2.4).

Turnover which is attributable to one geographical market, the United Kingdom, can be analysed as above. Turnover from pass throughs in the current year and previous year relate to utilities and variations.

5. Employees and directors

The Company had no employees during the year (2020: nil). Service fees of £47,000 (2020: £46,000) were charged to the Company's ultimate shareholders for the directors' services to the Company during the year.

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Notes to the Financial Statements for the Year Ended 30 September 2021

6. Interest receivable and similar income

	2021	2020
	£'000	£'000
Bank interest	-	9
Interest receivable on financial asset	1,672	1,758
	<u>1,672</u>	<u>1,767</u>

7. Interest payable and similar expenses

	2021	2020
	£'000	£'000
Senior debt	170	343
Swap credit interest paid	1,122	1,029
Amount payable to group undertakings	433	462
Other finance costs	15	14
	<u>1,740</u>	<u>1,848</u>

8. Operating profit

The operating profit is stated after charging:

	2021	2020
	£'000	£'000
Auditor's remuneration:		
Audit services for the audit of the Company's financial statements	16	15
Tax compliance services	<u>7</u>	<u>6</u>

9. Taxation

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

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Notes to the Financial Statements for the Year Ended 30 September 2021

9. Taxation (continued)

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	88	132
Tax on profit	<u>88</u>	<u>132</u>
UK corporation tax has been charged at 19% (2020 - 19%).		
Tax effects relating to effects of other comprehensive income:		
	2021 £'000	2020 £'000
Fair value movement of derivatives and tax impact:		
Gross	2,303	385
Tax	(115)	88
Net	<u>2,188</u>	<u>473</u>
	2021 £'000	2020 £'000
Reconciliation of effective tax rate		
Profit for the year	376	563
Total tax charge	<u>88</u>	<u>132</u>
Profit excluding taxation	464	695
Tax using the UK corporation tax rate of 19% (2020 - 19%)	88	132
Reduction in rate on deferred tax balances	-	-
Total tax charge	<u>88</u>	<u>132</u>
The deferred tax charge relates to:		
	2021 £'000	2020 £'000
Deferred tax debit/(credit) relating to the movement of fair value	(576)	(73)
Charge relating to other comprehensive income due to tax rate change	461	161
	<u>(115)</u>	<u>88</u>

The Company has no tax losses (2020: nil). There is a deferred tax asset relating to the interest rate derivative which will unwind over the term of the hedging arrangement. All movements in the deferred tax have been recognised in other comprehensive income.

Factors that may affect future tax charges

A change to the future UK corporation tax rate was announced in the March 2021 Budget. An increase in the UK corporation tax rate from 19% to 25% with effective from 1 April 2023. This change has been substantively enacted at the balance sheet date and therefore is recognised in these financial statements.

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Notes to the Financial Statements for the Year Ended 30 September 2021

10. Dividends

	2021	2020
	£'000	£'000
Ordinary shares		
Dividends declared and paid of £992.00 per share	<u>992</u>	<u>-</u>

11. Debtors

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	717	1,260
Finance debtor	1,451	1,441
Deferred tax asset	232	204
Prepayments, accrued income and other debtors	197	270
	<u>2,597</u>	<u>3,175</u>
Amounts falling due after more than one year:		
Finance debtor	23,029	24,480
Deferred tax asset	1,112	1,255
	<u>24,141</u>	<u>25,735</u>
Aggregate amounts	<u>26,738</u>	<u>28,910</u>

The Company took advantage of exemptions made available under section 35.10(i) of FRS 102, and as such there has been no substantial change to the treatment of the financial asset receivable due to the adoption of the standard.

The deferred tax asset is to be relieved against future profits, the Company anticipates having sufficient future profits to relieve the loss against.

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Notes to the Financial Statements for the Year Ended 30 September 2021

12. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Subordinated loan (see note 14)	467	1,065
Senior secured loan (see note 14)	1,534	22,794
Trade creditors	467	739
Corporation tax liability	62	98
VAT	185	159
Interest rate swap liability	930	1,072
Accruals and deferred income	822	778
	<u>4,467</u>	<u>26,705</u>

Interest is charged on the subordinated loan stock balances at the rate of 13%. The loans are unsecured and repayable in instalments over a period of 25 years, which commenced in 2009.

The secured senior loan represents amounts borrowed under a facility agreement with Barclays Bank PLC. The loan bears interest at a margin of 0.65% over LIBOR and is repayable in instalments between 2009 and 2032. The loan is secured by fixed and floating charges over the property, assets and rights of the Company, and has certain covenants attached. Post year end, an amendment has been made to the interest rate swap agreement in order to transfer from LIBOR to SONIA which is effective from 30 September 2022.

In the comparative year, the senior secured loan and related unamortised loan issue costs were all disclosed as falling due within one year as the loan conditions were in default. The loan conditions were subsequently met during this financial year so the loan has been aged according to the original payment timetable.

In order to hedge against interest variations on the senior secured loan, the Company has entered into an interest rate swap agreement with a bank whereby bi-annually sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount.

The swap liability and related deferred tax asset have been classified between current and non-current for this financial year.

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

	2021 £'000	2020 £'000
Subordinated loan (see note 14)	2,771	2,852
Senior secured loan (see note 14)	19,807	-
Interest rate swap liability	4,447	6,608
	<u>27,025</u>	<u>9,460</u>

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Notes to the Financial Statements for the Year Ended 30 September 2021

14. Bank loan and loan stock

An analysis of the maturity of bank loan and loan stock is given below:

	2021	2020
	£'000	£'000
Amounts falling due within one year or on demand:		
Subordinated loan	467	1,065
Senior secured loan	1,549	22,989
Unamortised issue costs	(15)	-
	<u>2,001</u>	<u>23,859</u>
Amounts falling due between one and two years:		
Subordinated loan	65	81
Senior secured loan	1,463	-
Unamortised issue costs	(16)	-
	<u>1,512</u>	<u>81</u>
Amounts falling due between two and five years:		
Subordinated loan	206	193
Senior secured loan	4,588	-
Unamortised issue costs	(47)	-
	<u>4,747</u>	<u>193</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Subordinated loan	2,500	2,578
Senior secured loan	13,920	-
Unamortised issue costs	(101)	-
	<u>16,319</u>	<u>2,578</u>

15. Called up share capital

	2021	2020
	£'000	£'000
Allotted and issued and fully paid:		
1,000 Ordinary Shares of £1 each	<u>1</u>	<u>1</u>

On incorporation 1,000 ordinary shares were issued at £1 each. They carry no right to fixed income.

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Notes to the Financial Statements for the Year Ended 30 September 2021

16. Reserves

	Retained earnings £'000	Cash flow hedging reserve £'000	Total £'000
At 1 October 2020	2,349	(6,221)	(3,872)
Profit for the year	376	-	376
Dividends	(992)	-	(992)
Cash flow hedging movement	-	2,303	2,303
Deferred tax on swap movement	-	(115)	(115)
At 30 September 2021	<u>1,733</u>	<u>(4,033)</u>	<u>(2,300)</u>

Hedge reserve

Derivatives that are designated and effective as hedging instruments carried at fair value

	2021 £'000	2020 £'000
Interest rate swap on loans:		
Fair value of interest rate swap liability at year end	(5,377)	(7,680)
Tax on above	1,344	1,459
	<u>(4,033)</u>	<u>(6,221)</u>

On February 2007, the Company entered into a 25 year fixed interest rate swap arrangement to hedge its exposure to the effect of interest rate fluctuations.

The interest rate swap contract is designated as a hedge of variable interest rate risk of the Company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the swap.

The swap was effected on a notional amount of £41,045,000 at a fixed rate of 5.06% payable in semi-annual amounts between 31 March 2009 and 30 September 2032.

The fair value of the interest rate swap liability in the current year and prior years have been determined by relevant market data.

17. Related party disclosures

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

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Notes to the Financial Statements for the Year Ended 30 September 2021

18. Ultimate parent company

The Company is a subsidiary undertaking of Pyramid Schools Plymouth (Holdings) Limited, which is the smallest group in which these results are consolidated. Pyramid Schools Plymouth (Holdings) Limited registered address is C/O Dalmore Capital Limited Watling House - 5th Floor, 33 Cannon Street, London, England, EC4M 5SB.

The next immediate controlling party and parent is Environments For Learning Limited and this company produced consolidated financial statements at 30 September 2021 and this is the largest group in which these results are consolidated. Copies of the financial statements of Environments For Learning Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ and the registered address is C/O Dalmore Capital Limited Watling House - 5th Floor, 33 Cannon Street, London, England, EC4M 5SB.

The ultimate parent companies of the Company are Coral Project Investments LP and Dalmore Capital Fund LP, both operating in the United Kingdom and acting by their manager Dalmore Capital Limited, who jointly control Environments for Learning Limited. In the opinion of the directors, these two entities jointly control the Company.

19. Subsequent events

Post year end an amendment has been made to the interest rate swap agreement in order to transfer from LIBOR to SONIA which is effective from 30 September 2022. No other significant changes were made to the agreement as a result of this amendment.