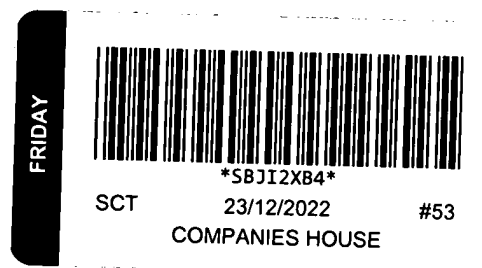


Company Registration No. 06261439 (England and Wales)



**TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**  
**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**



# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## COMPANY INFORMATION

Directors	J S Gordon M Templeton
Secretary	Resolis Limited
Company number	06261439
Registered office	Watling House 5th Floor 33 Cannon Street London EC4M 5SB
Auditor	RSM UK Audit LLP Third Floor 2 Semple Street Edinburgh EH3 8BL
Bankers	Barclays Bank plc Level 12 1 Churchill Place Canary Wharf London E14 5HP

# **TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

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# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their annual report and audited financial statements for the year ended 31 December 2021.

#### Principal activities

The principal activity of the Company continued to be that of a holding company whose sole business is the holding of investments in its subsidiary companies: Transform Schools (Knowsley) Limited and Transform Schools (Knowsley) Intermediate Limited, together 'the Group'.

On 13 December 2007, Transform Schools (Knowsley) Limited, a subsidiary, entered into a PFI concession contract with Knowsley Metropolitan Borough Council, to design, build or refurbish, and provide services within seven secondary schools. A second PFI contract was entered into on 19 May 2011 to consolidate two existing Special Educational Needs (SEN) buildings into a single SEN facility. The contract end date for both contracts is 31 August 2034.

During the year to 31 December 2016 one of the secondary school buildings was converted into a college for further education. The building remains a part of the PFI concession contract.

No change in the Group's principal activities is anticipated.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R Thompson (resigned 1 April 2022)  
Mr S Gordon (appointed 1 January 2022)  
Mr M Templeton

#### Results and dividends

The results for the year are set out on page 9.

In the financial year ended 31 December 2017, the Company's subsidiary, Transform Schools (Knowsley) Limited, received a claim from Knowsley Metropolitan Borough Council ('the Authority'), with whom the PFI concession contract ('Project Agreement') is held. This was in relation to alleged historic shortfalls in service delivery. In December 2018, the Company's subsidiary entered into a Settlement Agreement with the Authority and has also sub-contracted extensive remedial works (see note 6). As highlighted in the post balance sheet event note, £7.1m of costs were recovered in October 2022. This concludes the matter in respect of the claim raised by Knowsley Metropolitan Borough Council, subject to the completion and certification of fire stopping remediation works.

The directors are unable to propose a dividend in respect of the year ended 31 December 2021 (2020: £nil).

# **TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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### **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.

### **Principal risks and uncertainties**

The risk management policy of the Company and Group is designed to manage risk at the earliest possible point. The Group maintains a detailed risk register which is formally reviewed by the Board of Directors. The Group recognises that effective risk management is fundamental to achieving its business objectives to meet its commitments in fulfilling the PFI contract and in delivering a safe and efficient service.

### **Going concern**

The repayment of any sub-debt principal and interest has been placed on hold. The Company's subsidiary are not in default in respect of the sub-debt as the lender has approved the deferral of capital payments and associated interest until the March 2023 model submission to the senior lender.

The Company's subsidiary, Transform Schools (Knowsley) Limited has taken steps, in accordance with its underlying contracts, to recover firestopping costs incurred to 31 December 2021. Costs amounting to £7.1m were recovered in October 2022 with receipt of funds in October and November 2022.

Funds are now available to make the capital payments and associated interest on the sub-debt but the ability to do so is restricted by the senior lender until all fire stopping remediation works are complete. While the remedial work has a completion date of 31 December 2022, the date on which the sub-debt repayment was due, the Directors have allowed additional time to ensure all completion certificates are in place, and have sought and obtained lender approval to defer the capital payments and associated interest until the March 2023 model submission.

### **Auditor**

The auditor, RSM UK Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### Statement of disclosure to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Group is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



.....  
**Mr M Templeton**  
Director

Date: 22/12/22  
.....

# **TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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The directors are responsible for preparing 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 Group and Parent Company 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 Group and Parent Company and of the profit or loss of the group 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 Group and Parent Company will continue in business.

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

# **TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

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#### **Opinion**

We have audited the financial statements of Transform Schools (Knowsley) Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the group statement of comprehensive income, group statement of financial position, company statement of financial position, group statement of changes in equity, company 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 FRS 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 group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group and parent 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 group's or the parent 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.



# **TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

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#### **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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

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#### **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.

#### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The group audit engagement team identified the risk of management override of controls and cost recovery in respect of remedial work associated with the claim raised by Knowsley Metropolitan Borough Council as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and reviewing the final settlement agreement and confirm receipt of costs recovered.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

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#### 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.

*Claire Monaghan*

.....  
**Claire Monaghan** (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Third Floor

2 Semple Street

Edinburgh

EH3 8BL

Date: 23/12/22  
.....

**TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**

**GROUP STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £'000	2020 £'000
<b>Turnover</b>		<b>8,393</b>	8,356
<b>Cost of sales</b>		<b>(6,853)</b>	(6,354)
<b>Gross profit</b>		<b>1,540</b>	2,002
Administrative expenses		(3,768)	(2,040)
Exceptional costs	6	-	(1,537)
Exceptional income	6	-	4,601
<b>Operating (loss)/profit</b>	7	<b>(2,228)</b>	3,026
Interest receivable and similar income	9	9,798	10,253
Interest payable and similar expenses	10	(10,538)	(10,542)
<b>(Loss)/Profit before taxation</b>		<b>(2,968)</b>	2,737
Tax on profit	11	2,259	(1,283)
<b>(Loss)/Profit for the financial year</b>		<b>(709)</b>	1,454
<b>Other comprehensive income</b>			
Cash flow hedges gain/(loss) arising in the year	16	13,388	(1,821)
Tax relating to other comprehensive income	11	(798)	1,159
<b>Total comprehensive income for the year</b>		<b>11,881</b>	792

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	13	144,125	149,453
Debtors: amounts falling due within one year	13	16,139	20,147
Cash at bank and in hand		13,198	8,994
		<u>173,462</u>	<u>178,594</u>
<b>Creditors: amounts falling due within one year</b>	15	<b>(48,437)</b>	<b>(44,085)</b>
<b>Net current assets</b>		<b>125,025</b>	<b>134,509</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(155,553)</b>	<b>(176,918)</b>
<b>Net liabilities</b>		<b><u>(30,528)</u></b>	<b><u>(42,409)</u></b>
<b>Capital and reserves</b>			
Called up share capital	18	50	50
Hedging reserve	19	(21,815)	(34,405)
Retained earnings	19	(8,763)	(8,054)
<b>Shareholders' funds</b>		<b><u>(30,528)</u></b>	<b><u>(42,409)</u></b>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 22/12/22 and are signed on its behalf by:



Mr M Templeton  
Director

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Investments	12	<u>50</u>	<u>50</u>
<b>Capital and reserves</b>			
Called up share capital	18	<u>50</u>	<u>50</u>
<b>Shareholders' funds</b>		<u><u>50</u></u>	<u><u>50</u></u>

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's result for the year was £nil (2020: £nil).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 22/12/22 and are signed on its behalf by:



.....  
**Mr M Templeton**  
Director

**Company Registration No. 06261439**

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2020</b>	<b>50</b>	<b>(33,743)</b>	<b>(9,508)</b>	<b>(43,201)</b>
Profit for the year	-	-	1,454	1,454
Other comprehensive income:				
Cash flow hedges losses	-	(1,821)	-	(1,821)
Tax relating to other comprehensive income	-	1,159	-	1,159
Total comprehensive income for the year	-	(662)	1,454	792
<b>At 31 December 2020</b>	<b>50</b>	<b>(34,405)</b>	<b>(8,054)</b>	<b>(42,409)</b>
Loss for the year	-	-	(709)	(709)
Other comprehensive income:				
Cash flow hedges gains	-	13,388	-	13,388
Tax relating to other comprehensive income	-	(798)	-	(798)
<b>At 31 December 2021</b>	<b>50</b>	<b>(21,815)</b>	<b>(8,763)</b>	<b>(30,528)</b>

**TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>Share capital £'000</b>
<b>At 1 January 2020</b>	<b>50</b>
Profit and total comprehensive income for the year	-
<b>At 31 December 2020</b>	<b>50</b>
Profit and total comprehensive income for the year	-
<b>At 31 December 2021</b>	<b>50</b>



# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 General information

Transform Schools (Knowsley) Holdings Limited ("the Company") is a private company limited by shares domiciled and incorporated in England and Wales. The registered office is Watling House, 5th Floor, 33 Cannon Street, London, England, EC4M 5SB.

The Company's principal activities and nature of its operations are disclosed within the Director's Report.

The Company and Group's functional and presentation currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest thousand pound.

### 2 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime.

### 3 Accounting policies

#### 3.1 Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of these financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies. The financial statements have been prepared under the historical cost convention modified to include certain financial instruments at fair value and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

The Company has also applied exemptions required under Section 11 Basic Financial Instruments and Section 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.

#### *Service concession arrangements*

The subsidiary Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore, its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

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

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's result for the year was £nil (2020: £nil).

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **3.2 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2021. The acquisition method of accounting has been adopted.

### **3.3 Going concern**

The directors have reviewed the Group's ability to meet its obligations in respect of the loan notes issued to it by the Transform Schools (Knowsley) Group's immediate parent company, PPDI Assetco Limited.

The company's subsidiary, Transform Schools (Knowsley) Limited, has taken steps in accordance with its underlying contracts, to recover costs incurred to 31 December 2021. A final amount of £7.1m was recovered in October 2022 with receipts in October and November 2022.

The repayment of the sub-debt principal and associated interest was placed on hold pending the resolution of the firestopping. This was agreed with the ultimate debt holder with the deferral of capital payments and associated interest until the March 2023 model submission to the senior lender.

Transform Schools (Knowsley) Limited has taken steps, in accordance with its underlying contracts, to recover costs incurred to 31 December 2021. A final amount of £7.1m was recovered in October 2022.

The Senior Lender, in approving the original settlement with the Authority, suspended all distributions including sub debt repayments until all fire stopping remediation work was completed. The remedial work has a completion date of 31 December 2022. The Directors believe all work will be completed by 31 December 2022, however have allowed for some delays in obtaining completion certificates and have sought and obtained lender approval to delay repayment of the £15,668k sub debt principal and associated interest until the March 2023 model submission

The directors have prepared projected Group cash flow information for at least twelve months from the date of their approval of these financial statements and continue to monitor these closely. On the basis of this cash flow information, which includes the £15,668k sub-debt repayment, the directors consider that the Group will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the Group to meet its liabilities as they fall due for payment.

The Directors, with reference to the fire stopping cost recovery in October 2022 and cash flow forecasts prepared, have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and as a minimum for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 3.4 Turnover

All turnover and profit before taxation originates in the UK. Turnover represents the value, net of value added tax and discounts, of services provided in the year. Service revenue in respect of the unitary charge is recognised as described in the finance debtor accounting policy.

### 3.5 Investments

Interests in subsidiaries are initially measured at cost, including directly attributable transaction costs and are subsequently measured at cost less impairment losses. Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversal of impairment losses are recognised immediately in profit or loss.

### 3.6 Financial instruments

The Group 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 Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

#### **Trade and other debtors / creditors**

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

#### **Interest-bearing borrowings classified as basic financial instruments**

Senior term loans are initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period. The secured term loan is valued at amortised cost, taking account of projected indexation across the term of the liability.

Issue costs are written off to the statement of total comprehensive income, over the term of the debt on a straight-line basis.

#### **Fair value hedge - fixed interest rate risk**

Derivatives, including interest rate swaps and forward foreign exchange contracts, 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.

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 all of its liabilities.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 3.7 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 3.8 Derivatives

#### Hedge accounting

*Financial instruments not considered to be basic financial instruments*

#### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss is discussed below.

#### *Fair value hedges*

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 derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

### 3.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

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Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

#### 3.10 Finance debtor and services income

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

#### 4 Critical areas of judgement

##### Effective interest rate

The effective interest rate on senior debt instruments was calculated and is not deemed to be materially different to the interest rate applied in the financial statements and as such no adjustment has been made to the interest charge in the financial statements. This will continue to be monitored.

##### Cost Recovery – accrued income

As noted in the Directors' Report, the Company's subsidiary received a claim from Knowsley Metropolitan Borough Council ('the Authority') with whom the PFI concession contract (Project Agreement) is held. This was in relation to alleged historic shortfalls in service delivery. In December 2018, the Company's subsidiary entered into a Settlement Agreement with the Authority and has also sub-contracted extensive remedial works. The Group has taken steps in accordance with its underlying contracts to recover these costs incurred to 31 December 2021.

Following three adjudications in favour of Transform Schools (Knowsley) Limited, and subsequent cash inflows, the Directors believe it appropriate to recognise a proportion of cost recovery and £6,704k (2020: £10,948k) is included in accrued income with movements in the balance reflecting cash receipts in the year. As highlighted in the post balance sheet event note, costs of £7.1m were recovered in October 2022. The amounts included in accrued income represent the Directors best estimate of recoverable costs based on the information available at 31 December 2021.

##### Amendments to FRS102: Interest rate reform

The Company's hedged items and hedging instruments continue to be linked to Sterling LIBOR. The Company has early adopted the transitional provisions set out in the amendments to FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Interest Rate Benchmark Reform, issued in December 2019, to those hedging relationships directly affected by IBOR reform. In accordance with these amendments, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Company assumes that the benchmark interest rate is not altered as a result of IBOR reform and can continue to apply hedge effectiveness throughout the transition period.

#### 5 Turnover and other revenue

An analysis of the group's turnover is as follows:

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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	2021	2020
	£'000	£'000
Arising from the Company's principal activity	<u>8,393</u>	<u>8,356</u>

### 6 Exceptional costs/(income)

The exceptional items include costs in relation to the Settlement Agreement and remedial works referred to in the Directors' Report, associated legal and consultancy costs. Exceptional income includes amounts estimated to be recoverable through the underlying contracts as detailed in note 4 and this is included in accrued income.

### 7 Operating (loss) / profit

Operating (loss) / profit is stated after charging:

	2021	2020
	£'000	£'000
Fees payable to the Company's auditor and associates:		
Audit of the financial statements of the Company's subsidiaries	18	17
Audit of the financial statements of the Group and Company	4	4
Taxation compliance services	<u>7</u>	<u>7</u>

### 8 Employees

The directors, who are key management personnel, received no salary in the performance of their duties during the current or preceding year. The Group had no employees in the current or preceding year.

### 9 Interest receivable and similar income

	2021	2020
	£'000	£'000
Finance debtor interest	9,798	10,243
Bank interest	-	10
	<u>9,798</u>	<u>10,253</u>

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Interest payable and similar expenses

	2021	2020
	£'000	£'000
Interest on bank overdrafts and loans	7,213	7,676
Interest payable to group undertakings	3,133	2,757
Other interest on financial liabilities	154	147
Finance discounting costs	38	(38)
	<u>10,538</u>	<u>10,542</u>

### 11 Taxation

	2021	2020
	£'000	£'000
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(2,259)	1,283
Total tax (credit)/charge	<u>(2,259)</u>	<u>1,283</u>

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£'000	£'000
(Loss) / profit before tax	<u>(2,967)</u>	<u>2,740</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(564)	521
Unutilised tax losses carried forward	-	715
Change in unrecognised deferred tax assets	(988)	279
Effect of change in corporation tax rate	(707)	(232)
Total tax (credit) / charge	<u>(2,259)</u>	<u>1,283</u>

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

In addition to the amount charged/(credited) to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £'000	2020 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	<u>(798)</u>	<u>1,159</u>

#### 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.

## 12 Investments

### Company

	Shares in group undertakings £'000
<b>Cost</b>	
At 31 December 2020 and 31 December 2021	<u>50</u>
<b>Carrying amount</b>	
At 31 December 2020 and 31 December 2021	<u>50</u>

The principal investments of the Company are as follows:

	Country of residence	Nature of business	Holding	Class of shares
Transform Schools (Knowsley) Limited	UK	PFI Concession Company	99.8% direct 0.02% indirect	Ordinary
Transform Schools (Knowsley) Intermediate Limited	UK	Investment company	100% direct	Ordinary

The financial statements for each of the above entities can be obtained from the Company Secretaries at Watling House, 5th Floor, 33 Cannon Street, London, England, EC4M 5SB.

The directors have reviewed the future cashflows receivable from the investment and consider no indicators of impairment to exist.



# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Debtors

Debtor amounts falling due within one year are as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	1,085	1,206	-	-
Prepayments and accrued income	6,786	12,155	-	-
Finance debtor	8,268	6,786	-	-
	<u>16,139</u>	<u>20,147</u>	<u>-</u>	<u>-</u>

Debtor amounts falling due after one year are as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Finance debtor	133,910	140,698	-	-
Deferred tax asset (note 17)	10,215	8,755	-	-
	<u>144,125</u>	<u>149,453</u>	<u>-</u>	<u>-</u>
Total debtors	<u>160,264</u>	<u>169,600</u>	<u>-</u>	<u>-</u>

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Loans and overdrafts

Amounts in creditors relating to loan agreements are as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans	117,497	124,789	-	-
Other loans	17,099	17,085	-	-
	<u>134,596</u>	<u>141,874</u>	<u>-</u>	<u>-</u>
Falling due within one year:				
Bank loans	8,130	7,431	-	-
Other loans	-	-	-	-
	<u>8,130</u>	<u>7,431</u>	<u>-</u>	<u>-</u>
Falling due after more than one year:				
Bank loans	109,367	117,358	-	-
Other loans	17,099	17,085	-	-
	<u>126,466</u>	<u>134,443</u>	<u>-</u>	<u>-</u>

The loans are secured by a fixed and floating charge over all the assets of the group and a charge over the shares of the group.

The value of the payments that are due in greater than 5 years is £85,207,000 (2020: £94,199,000).

The secured Subordinated loan stock is held 100% by PPD I Assetco Limited and is repayable in semi-annual instalments over the life of the concession. No payments are being made whilst the Group continues to incur remedial works costs with limited recovery to date. The Group is not in default in respect of this loan as the lender has approved the deferral of capital payments and associated interest until December 2022.

The secured senior loans represent amounts borrowed by the Group under a facility agreement with banks. The loans are repayable in instalments between 2010 and 2034. The loans bear interest at a margin over SONIA. As part of the interest rate management strategy, the Group entered into interest rate swaps in respect of all senior debt. Under these swaps and the financing in place, the Group pays fixed interest at fixed rates between 5.82% and 6.27%. The loans are secured by fixed and floating charges over the undertaking, property, assets and rights of the Group and have certain covenants attached.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 15 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	8,130	7,431	-	-
Trade creditors	2,426	2,441	-	-
Other taxation and social security	462	609	-	-
Other creditors	-	924	-	-
Deferred income	23,018	21,352	-	-
Accruals	14,401	11,328	-	-
	<u>48,437</u>	<u>44,085</u>	<u>-</u>	<u>-</u>

#### 16 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 14)	109,367	117,358	-	-
Loan due to parent undertaking (note 14)	17,099	17,085	-	-
Derivative financial instruments	29,087	42,475	-	-
	<u>155,553</u>	<u>176,918</u>	<u>-</u>	<u>-</u>

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. The fair value of derivatives is based on the bank's valuation which is provided annually at the year end. The directors consider this to be an appropriate basis.

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 all of its liabilities.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 17 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Tax losses	2,943	685	-	-
Cash flow hedge asset	7,272	8,070	-	-
	<u>10,215</u>	<u>8,755</u>	<u>-</u>	<u>-</u>

The movement on the deferred tax balance is as follows:

	Group	Company
	£'000	£'000
Asset at 1 January 2021	(8,755)	-
Charge to profit or loss	(2,259)	-
Charge to other comprehensive income	798	-
<b>Asset at 31 December 2021</b>	<b><u>(10,215)</u></b>	<b><u>-</u></b>

The deferred tax asset set out above is expected to reverse in line with movements in the fair value adjustments in relation to the interest rate SWAP held by the Group.

The deferred tax asset has been recognised as long term forecasts show that the asset can be utilised/ recovered against future taxable profits.

### 18 Share capital

#### Issued, called up and fully paid

	2021	2020	2021	2020
	No	No	£'000	£'000
Ordinary shares of £1 each	<u>50,100</u>	<u>50,100</u>	<u>50</u>	<u>50</u>

The company has two classes of ordinary shares (A and B) which carry no right to fixed income. Both classes of shares carry standard voting rights.

# TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **19 Reserves**

#### **Hedging reserve**

The hedging reserve records the cumulative amount of gains and losses on the hedging instruments deemed effective in cash flow hedges net of tax.

#### **Profit and loss reserves**

Retained earnings represent cumulative profit and losses net of distributions to the shareholders. There are no unrealised profits or losses included within retained earnings.

### **20 Controlling party**

The immediate parent company of Transform Schools (Knowsley) Holdings Limited is PPDI Assetco Limited. The Company is ultimately controlled by PPP Equity PIP LP, a limited partnership registered in England.

### **21 Post balance sheet event**

In October 2022, firestopping costs of £7.1m were recovered. This concludes the matter in respect of the claim raised by Knowsley Metropolitan Borough Council, subject to the completion and certification of the fire stopping remediation works.