Company Registration No. 06261439 (England and Wales)

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	M Templeton	
	JS Gordon	(Appointed 1 January 2022)
Secretary	Resolis Limited	(Appointed 6 January 2022)
	Vercity Social Infrastructure (UK) Limited	(Resigned 5 January 2022)
Company number	06261439	
Registered office	1 Park Row Leeds United Kingdom LS1 5AB	
Auditor	RSM UK Audit LLP Third Floor 2 Semple Street Edinburgh EH3 8BL	

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

CONTENTS

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

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.

Results and dividends

The results for the year are set out on page 7.

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 construction defects and alleged historic shortfalls in service delivery.

In December 2018, Transform Schools (Knowsley) Limited entered into a Settlement Agreement with the Authority and sub-contracted extensive fire-stopping rectification works.

During the year, £7.1m of costs were recovered by Transform Schools (Knowsley) Limited, concluding the matter in respect of the claim raised by Knowsley Metropolitan Borough Council, subject to the completion and certification of fire-stopping remediation works.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

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

RM Thompson	(Resigned 1 April 2022)
M Templeton	
JS Gordon	(Appointed 1 January 2022)

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.

Auditor

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

Statement of disclosure to 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 company 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 company is aware of that information.

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, Transform Schools (Knowsley) Limited, is 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.

Funds are 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. Whilst the remedial work originally had 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.

Small companies exemption

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

On behalf of the board

M Templeton
Director

30 June 2023

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Annual 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 group and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

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 2022 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the 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 the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

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 our 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 parent company and its 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 where 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 in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

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 as the area 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

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

30 June 2023

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	14,161	8,393
Cost of sales		(7,595)	(6,853)
Gross profit		6,566	1,540
Administrative expenses		(5,824)	(3,767)
Operating profit/(loss)		742	(2,227)
Interest receivable and similar income	6	9,537	9,798
Interest payable and similar expenses	7	(10,178)	(10,538)
Profit/(loss) before taxation		101	(2,967)
Tax on profit/(loss)	8	(31)	2,259
Profit/(loss) for the financial year		70	(708)
Other comprehensive income			
Cash flow hedges gain arising in the year		23,807	13,388
Tax relating to other comprehensive income		(5,952)	(798)
Total comprehensive income for the year		17,925	11,882

The total comprehensive income statement has been prepared on the basis that all operations are continuing operations.

Total comprehensive income for the year is all attributable to the owners of the parent company.

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Current assets					
Debtors falling due after more than one year	**11**	129,926		144,126	
Debtors falling due within one year	**11**	12,335		16,142	
Cash at bank and in hand		19,627		13,198	
		161,888		173,466	
Creditors: amounts falling due within one year	**12**	(51,383)		(48,437)	
Net current assets			110,505		125,029
Creditors: amounts falling due after more than one year	**13**		(123,104)		(155,553)
Net liabilities			(12,599)		(30,524)
Capital and reserves					
Called up share capital	**16**		50		50
Hedging reserve			(3,960)		(21,815)
Profit and loss reserves			(8,689)		(8,759)
Total equity			(12,599)		(30,524)

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

The financial statements were approved by the board of directors and authorised for issue on 30 June 2023 and are signed on its behalf by:

Matthew Templeton

M Templeton
Director

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Investments	**9**		50		50
Capital and reserves					
Called up share capital	**16**		50		50

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £nil (2021: £nil).

The financial statements were approved by the board of directors and authorised for issue on 30 June 2023 and are signed on its behalf by:

Matthew Templeton

M Templeton
Director

Company Registration No. 06261439

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Hedging reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	50	(34,405)	(8,051)	(42,406)
Year ended 31 December 2021:				
Loss for the year	-	-	(708)	(708)
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	13,388	-	13,388
Tax relating to other comprehensive income	-	(798)	-	(798)
Total comprehensive income for the year	-	12,590	(708)	11,882
Balance at 31 December 2021	50	(21,815)	(8,759)	(30,524)
Year ended 31 December 2022:				
Profit for the year	-	-	70	70
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	23,807	-	23,807
Tax relating to other comprehensive income	-	(5,952)	-	(5,952)
Total comprehensive income for the year	-	17,855	70	17,925
Balance at 31 December 2022	50	(3,960)	(8,689)	(12,599)

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £'000
Balance at 1 January 2021	50
Year ended 31 December 2021:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2021	50
Year ended 31 December 2022:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2022	50

1 Accounting policies

Company information

Transform Schools (Knowsley) Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 1 Park Row, Leeds, United Kingdom, LS1 5AB.

The group consists of Transform Schools (Knowsley) Holdings Limited and all of its subsidiaries.

1.1 Accounting convention

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. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the Company and its subsidiary undertakings. The acquisition method of accounting has been adopted.

1 Accounting policies **(Continued)**

1.3 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 Company's immediate parent company, PPDI Assetco Limited.

The repayment of any sub-debt principal and interest has been placed on hold. The Company's subsidiary, Transform Schools (Knowsley) Limited is 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 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 originally had a completion date of 31 December 2022. The Directors have allowed for some delays in obtaining completion certificates and have sought and obtained lender approval to delay repayment of the 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. Based on this cash flow information, which takes into consideration the £7.1m cost recovery during the year (as noted in the Directors' Report) and includes the 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 cash flow forecasts prepared, have a reasonable expectation that the Group and company has 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.

1.4 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.

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 (2021: £nil).

1.5 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1 Accounting policies **(Continued)**

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 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 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 debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost 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 a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors 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 hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.8 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.

Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1 Accounting policies **(Continued)**

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.9 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 income statement 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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Finance debtor accounting

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 Company 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.

2 Turnover and other revenue

	2022	2021
	£'000	£'000
Turnover analysed by class of business		
Unitary charge income	10,167	7,832
Pass through income	3,135	474
Other income	859	87
	14,161	8,393

3 Auditor's remuneration

	2022	2021
Fees payable to the company's auditor and associates:	£'000	£'000
For audit services		
Audit of the financial statements of the group and company	3	3
Audit of the financial statements of the company's subsidiaries	18	15
	21	18
For other services		
Taxation compliance services	10	7

The auditor's fee for the Company was borne by Transform Schools (Knowsley) Limited in both the current and the prior year.

4 Employees

The average number of persons employed by the Company during the financial year, including the directors, was nil (2021: nil).

5 Directors' remuneration

The directors, who are also key management personnel, did not receive any remuneration from the Company during the year for services rendered (2021: nil).

6 Interest receivable and similar income

	2022	2021
	£'000	£'000
Interest income		
Bank interest	95	-
Finance debtor interest	9,442	9,798
Total income	9,537	9,798

7 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest on bank loans	6,754	7,213
Interest payable to group undertakings	3,225	3,147
Other interest on financial liabilities	48	38
Finance discounting costs	151	140
Total finance costs	10,178	10,538

8 Taxation

	2022	2021
	£'000	£'000
Deferred tax		
Origination and reversal of timing differences	31	(2,259)

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

	2022	2021
	£'000	£'000
Profit/(loss) before taxation	101	(2,967)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	19	(564)
Change in unrecognised deferred tax assets	-	(988)
Effect of change in corporation tax rate	-	(707)
Other permanent differences	4	-
	8	-
Taxation charge/(credit)	31	(2,259)

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

	2022	2021
	£'000	£'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	5,952	798

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.

9 Fixed asset investments

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Shares in group undertakings	-	-	50	50

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct	% Held Indirect
Transform Schools (Knowsley) Intermediate Limited	Watling House, 5th Floor, 33 Cannon Street, London, England, EC4M 5SB	Ordinary	100.00	-
Transform Schools (Knowsley) Limited	Watling House, 5th Floor, 33 Cannon Street, London, England, EC4M 5SB	Ordinary	99.98	0.02

11 Debtors

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Amounts falling due within one year:				
Trade debtors	1,514	1,084	-	-
Amounts owed by group	3	3	-	-
Other debtors	10,818	15,055	-	-
	12,335	16,142	-	-
Amounts falling due after more than one year:				
Other debtors	125,693	133,910	-	-
Deferred tax asset	4,233	10,216	-	-
	129,926	144,126	-	-
Total debtors	142,261	160,268	-	-

12 Creditors: amounts falling due within one year

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Bank loans	14	8,658	8,130	-	-
Trade creditors		3,431	2,426	-	-
Other taxation and social security		498	462	-	-
Deferred income		21,442	23,018	-	-
Other creditors		16,322	13,217	-	-
Accruals		1,032	1,184	-	-
		51,383	48,437	-	-

13 Creditors: amounts falling due after more than one year

		Group		Company	
		2022	2021	2022	2021
	Notes	£'000	£'000	£'000	£'000
Bank loans and overdrafts	14	100,705	109,367	-	-
Other borrowings	14	17,119	17,099	-	-
Derivative financial instruments		5,280	29,087	-	-
		123,104	155,553	-	-

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.

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.

The fair value of the 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.

14 Loans and overdrafts

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans	109,363	117,497	-	-
Loans from group undertakings	17,119	17,099	-	-
	126,482	134,596	-	-
Payable within one year	8,658	8,130	-	-
Payable after one year	117,824	126,466	-	-

The secured senior loans represent amounts borrowed by the Company 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 Company entered interest rate swaps in respect of all senior debt. Under these swaps and the financing in place, the Company 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 Company and have certain covenants attached.

The subordinated loan stock is held 100% by PPDI Assetco Limited and is repayable in semi-annual instalments over the life of the concession. Interest is charged at 10% plus a margin for the movement in RPI year on year. There is a fixed and floating charge over the assets of the Company.

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Assets 2022 £'000	Assets 2021 £'000
Tax losses	2,913	2,944
Cash flow hedge	1,320	7,272
	4,233	10,216

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2022 £'000	Company 2022 £'000
Asset at 1 January 2022	(10,216)	-
Charge to profit or loss	31	-
Charge to other comprehensive income	5,952	-
Asset at 31 December 2022	(4,233)	-

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 Company.

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

16 Share capital

Group and company Ordinary share capital	2022 Number	2021 Number	2022 £'000	2021 £'000
Issued and fully paid				
Ordinary shares of £1 each	50,100	50,100	50	50

17 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.