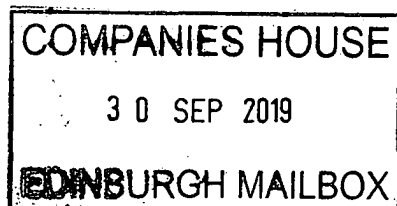


Company Registration No. 06263905 (England and Wales)

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

COMPANY INFORMATION

Directors	Mr S Gordon Mr R Thompson
Secretary	HCP Social Infrastructure (UK) Limited
Company number	06263905
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	RSM UK Audit LLP First Floor Quay 2 139 Fountainbridge Edinburgh EH3 9QG

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

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TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is of an investment company.

Directors

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

Mr A Clapp	(Resigned 6 July 2018)
Mr S Gordon	
Mr R Thompson	

Results and dividends

The results for the year are set out on page 7. The result for the year after taxation amounted to £nil (2017: £nil). The Directors do not propose to pay a dividend in respect of the year ended 31 December 2018 (2017: £nil).

Going concern

In December 2018, Transform Schools (Knowsley) Limited, which owes the subordinated loan stock to the Company, entered into a Settlement Agreement with the Authority and has also sub-contracted extensive remedial works. In the absence of any recovery to date, the Company's subsidiary is unable to pay its subordinated loan repayments and interest to the Company. This is the sole income of Transform Schools (Knowsley) Intermediate Limited and whilst its subsidiary is unable to meet its subordinated loan capital and interest payments, so too is the Company. The Company is not in default in respect of the subdebt as the lender has approved the deferral of capital payments and interest until late 2020.

Transform Schools (Knowsley) Limited is taking steps, in accordance with its underlying contracts, to recover these costs incurred to 31 December 2018 and those expended in the subsequent period to the date of signing these financial statements and therefore it is expected that the loan repayments and interest will be made in the future.

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.

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 company's auditor 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 company's auditor is aware of that information.

The Company's Registered Office is 8 White Oak Square, Swanley, Kent, BR8 7AG

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 R Thompson

Director

30 September 2019

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

Opinion

We have audited the financial statements of Transform Schools (Knowsley) Intermediate Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of income and retained earnings, the statement of financial position and notes to the financial statements, including a summary of 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 company's affairs as at 31 December 2018 and of its result 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 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.

Material Uncertainty related to going concern

We draw attention to Note 1.2 in the financial statements, which sets out the circumstances surrounding a claim made against Transform Schools (Knowsley) Limited, a fellow Group Company with regards to alleged historic shortfalls in service delivery under the PFI contract that Transform Schools (Knowsley) Limited is party to. Transform Schools (Knowsley) Limited (in the form of an investment and amounts receivable) represent the sole assets of the Company and source of funds for the Company to meet its external liabilities and the Company's ability to meet sub debt payments is entirely dependent on receipt of funds from Transform Schools (Knowsley) Limited. As stated in Note 1.2, these events or conditions, along with the other matters as set forth in Note 7, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

Opinion on other matter 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 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; 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 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

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.

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.

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.

RSM UK Audit LLP

ANDREW ALLCHIN (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

30 September 2019

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Interest receivable and similar income	3	2,032	1,760
Interest payable and similar expenses	4	(2,032)	(1,760)
		<hr/>	<hr/>
Profit before taxation		-	-
Taxation		-	-
		<hr/>	<hr/>
Profit for the financial year	9	-	-
		<hr/>	<hr/>
Total comprehensive income for the year		-	-
Retained earnings at 1 January 2018		-	-
		<hr/>	<hr/>
Retained earnings at 31 December 2018		-	-
		<hr/> <hr/>	<hr/> <hr/>

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments			-		-
			<u>-</u>		<u>-</u>
			-		-
Debtors falling due after one year	5	13,056		12,496	
Debtors falling due within one year	5	3,403		1,918	
Creditors: amounts falling due within one year	6	(3,403)		(1,918)	
		<u>-</u>		<u>-</u>	
Net current assets			13,056		12,496
Creditors: amounts falling due after more than one year	7	(13,056)		(12,496)	
		<u>-</u>	(13,056)	<u>-</u>	(12,496)
Net assets			<u>-</u>		<u>-</u>
			<u>-</u>		<u>-</u>
Capital and reserves					
Called up share capital	8		-		-
Profit and loss reserve	9		-		-
			<u>-</u>		<u>-</u>
Shareholders' funds			<u>-</u>		<u>-</u>
			<u>-</u>		<u>-</u>

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 30 September 2019 and are signed on its behalf by:



Mr R Thompson
Director

Company Registration No. 06263905

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Transform Schools (Knowsley) Intermediate Limited is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

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

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 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, unless where otherwise stated.

The Company's parent undertaking, Transform Schools (Knowsley) Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Transform Schools (Knowsley) Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the preparation and disclosure of the Cash Flow Statement and related notes.

1.2 Going concern

The Directors have reviewed the Company'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, PPD Assetco Limited, and in light of the performance of Transform Schools (Knowsley) Limited a risk has been identified outlined in the Directors' Report on page 1. Transform Schools (Knowsley) Limited, has taken steps to recover the costs associated with the remedial works and Settlement. Whilst the remedial works are carried out and Transform Schools (Knowsley) Limited has paid Settlements to the Authority in the absence of any recovery to date, its Annual Debt Service Cover Ratio remains under its Default hurdle. Consequently, the repayment of the subordinated loan principal and interest has been placed on hold. This has been agreed with the ultimate debt holder with the deferral of capital payments and associated interest to late 2020. Transform Schools (Knowsley) Limited (in the form of an investment and amounts receivable) represents the sole assets of the Company and source of funds for the Company to meet its external liabilities and the Company's ability to meet sub debt payments is entirely dependent on receipt of funds from Transform Schools (Knowsley) Limited.

The Directors have a reasonable expectation that the Company and Transform Schools (Knowsley) Limited have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.4 Investments

Investments are initially measured at cost, including directly attributable transaction costs and are subsequently measured at cost less impairment losses.

Investments are assessed for impairment at each reporting date. Any impairment losses or reversal of impairment losses are recognised immediately in profit or loss.

1.5 Fair value measurement of financial instruments

Other debtors / creditors

Other debtors are recognised initially at transaction price less attributable transaction. 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.

2 Auditor's remuneration

The auditor's fee for the Company was borne by Transform Schools (Knowsley) Limited in both the current and the preceding year and amounted £1,340 (2017: £1,570)

3 Interest receivable and similar income	2018	2017
	£'000	£'000
Subordinated loan interest receivable from group	2,032	1,760
	<u>2,032</u>	<u>1,760</u>
4 Interest payable and similar expenses	2018	2017
	£'000	£'000
Interest on subordinated loans	2,032	1,760
	<u>2,032</u>	<u>1,760</u>
5 Debtors	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Amounts due from group undertakings - loan notes interest	3,403	1,372
Amounts due from group undertakings - loan notes principal	-	546
	<u>3,403</u>	<u>1,918</u>
Amounts falling due after one year:		
Amounts due from group undertakings - loan notes principal	13,056	12,496
	<u>13,056</u>	<u>12,496</u>
Total debtors	<u>16,459</u>	<u>14,414</u>

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 Debtors (Continued)

6 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Loans	-	546
Other creditors	3,403	1,372
	<u>3,403</u>	<u>1,918</u>

7 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Loans	13,056	12,496
	<u>13,056</u>	<u>12,496</u>

The subordinated loan stock is held 100% by PPD I 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.

8 Called up share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

The company has one class of ordinary shares which carry no right to fixed income. These shares do not carry voting rights.

9 Profit and loss reserves

	2018 £'000	2017 £'000
At the beginning and end of the year	-	-
	<u>-</u>	<u>-</u>

Profit and loss reserves includes accumulated profits net of distributions due to owners.

10 Related party transactions

Transform Schools (Knowsley) Intermediate Limited owns 0.2% of the shareholdings in its fellow group undertaking Transform Schools (Knowsley) Limited. During the year Transform Schools (Knowsley) Limited transferred £nil (2017: £939,705) to Transform Schools (Knowsley) Intermediate Limited relating to subordinated debt loan interest and principal payments. The subordinated debt payments, when paid, are by Transform Schools (Knowsley) Intermediate Limited to PPD I Assetco Limited.

TRANSFORM SCHOOLS (KNOWSLEY) INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Parent company

The Company is a wholly-owned subsidiary of Transform Schools (Holdings) Limited which is incorporated in the United Kingdom and registered in England and Wales. Transform Schools (Knowsley) Holdings Limited owns 100% of the share capital in the company. The only Group in which the results of Transform Schools (Knowsley) Intermediate Limited are consolidated is Transform Schools (Knowsley) Holdings Limited, copies of whose financial statements are available from 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

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