ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED

Registered Number 04528790

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

Company Information

The Board of Directors	J P George B J Evans A H Page J N E Cowdell
Company secretary	Pario Limited
Registered office	Unit 18, Riversway Business Village Navigation Way Preston Lancashire PR2 2YP
Independent auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Business review and principal activities

The Company acts as holding company for its subsidiary whose principal activity is the finance and partial operation of the Conwy Schools PFI project under the Government's Private Finance Initiative ("PFI"). The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

The Group has entered into a Project Agreement with the Conwy County Borough Council ("the Authority"), together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements. The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain services within the Conwy Schools PFI project for a primary term of 27 years from the date of signing of the Project Agreement 12 March 2003.

Key Performance Indicators (KPIs)

The Group is required to comply with a number of financial covenants implemented by the senior lenders at certain calculation dates throughout the year, of which failure to meet would result in a default of the senior loan agreement. The ratios required to be met are defined in the credit agreement as Loan Life Cover Ratio and Annual Debt Service Cover Ratio. These are required to remain above 1.10 and 1.05 respectively.

Current and future ratios are presented to the senior lenders for approval on a 6 monthly basis to ensure compliance with the credit agreement. To date, and in all future periods as detailed in the latest operational model, the Group has met and is forecast to meet these requirements for the remainder of the concession.

There were no performance or non-availability deductions during the year. The results for the year are set out in the profit and loss account and other comprehensive income on page 10.

Position of the Group at the year end

The Group is in the operational phase of the contract and is performing to the standards of the contract.

Principal risks and uncertainties

Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The financial risk management objectives and policies of the Group, together with an analysis of the exposure to such risks, as required under the Companies Act are summarised below:

Financial risk management

The Group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Group's performance. The Directors have policies for managing each of these risks and they are summarised below:

Interest rate cash flow risk
The senior loan interest has been fixed through the use of an interest rate swap contract (see note 17).

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Financial risk management (continued)

Liquidity risk

The Group adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. This is done through regular periodic cash flow forecasting of operating accounts through the operating model and requirements under the credit agreement to hold liquid resources in reserve accounts at the calculation dates.

Credit risk

The Group receives the bulk of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Climate change risk

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

Dividends

The profit for the year, after taxation, amounted to £28,000 (2021: £37,000). The directors approved and paid dividends of £10,000 (2021: £ nil).

Going concern

The Group had net assets of £1,790,000 as at 31 December 2022 and generated a profit for the year then ended of £28,000. The parent company had net assets of £10,000 as at 31 December 2022.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings.

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Group would lead to service failure points being awarded against the Group in accordance with the terms of Group's contract with Conwy County Borough Council sufficient to cause an event of default under the terms of the terms of the Group's external borrowings. To date, there has been no material adverse impact on the Group's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Group will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Directors and directors' interests

The directors who held office during the year were as follows:

J P George
S A Brooks (resigned 30th June 2023)
B J Evans (appointed 30th June 2023)
A H Page
J N E Cowdell

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Strategic Report exemption

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption. Accordingly no Strategic report has to be prepared.

Political and charitable contributions

The Group made no political or charitable contributions during the year (2021: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418(1) of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

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

By order of the Board

J P George
Director

31 July 2023

Unit 18, Riversway Business Village,
Navigation Way,
Ashton-on Ribble,
Preston,
England,
PR2 2YP

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and parent company financial statements in accordance with UK accounting standards and applicable UK law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED

Opinion

We have audited the financial statements of Enterprise Education Holdings Conwy Limited ('the parent company'), and its its subsidiary ('the group') for the year ended 31 December 2022, which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement, and related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the 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 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 financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED (CONTINUED)

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 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 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.
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

Extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED (CONTINUED)

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

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

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

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

We identified a heightened fraud risk in relation to:

- Management override of controls

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the group and parent company's procurement of legal and professional services
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosure to supporting documentation

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED (CONTINUED)

Use of our report

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

Johnston Carmichael LLP

William King (Senior Statutory auditor)

For and on behalf of Johnston Carmichael LLP,

Statutory Auditor

Date: 31 July 2023

7-11 Melville Street
Edinburgh
EH3 7PE

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Turnover	3	**4,813**	3,875
Cost of sales		**(4,546)**	(3,581)
Gross profit		**267**	294
Administrative expenses		**(377)**	(292)
Operating profit		**(110)**	2
Interest receivable and similar income	7	**1,346**	1,443
Interest payable and similar expenses	8	**(1,227)**	(1,312)
Profit before taxation	4	**9**	133
Tax on profit	9	**19**	(96)
Profit for the year		**28**	37
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Cash flow hedges gain arising in the year		**1,581**	1,183
Tax recognised in relation to change in fair value of cash flow hedges	15	**(395)**	(120)
Other comprehensive income for the year		**1,186**	1,063
Total comprehensive income for the year		**1,214**	1,100

The notes on pages 16 to 30 form part of these financial statements.

All amounts arise from continuing operations.

CONSOLIDATED BALANCE SHEET
as at 31 December 2022

	Notes	2022 £'000	2021 £'000
Current assets			
Debtors including £15,584,000 (2021: £18,075,000) due after more than one year	12	**22,306**	20,338
Cash and cash equivalents		**2,339**	6,289
Total current assets		**24,645**	26,627
Current liabilities			
Creditors: amounts falling due within one year	13	**(8,897)**	(9,435)
Net current assets		**15,748**	17,192
Creditors: amounts falling due after more than one year	14	**(13,199)**	(16,256)
Provisions for liabilities	23	**(759)**	(350)
Net assets/(liabilities)		**1,790**	586
Capital and reserves			
Called up share capital	19	**10**	10
Profit and loss account		**1,901**	1,883
Cash flow hedge reserve		**(121)**	(1,307)
Total shareholders' funds		**1,790**	586

The notes on pages 16 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 31 July 2023 and were signed on its behalf by:

JP George

J P George
Director
Company registered number: 04528790

COMPANY BALANCE SHEET
as at 31 December 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments	11	**10**	10
Net assets		**10**	10
Capital and reserves			
Called up share capital	19	**10**	10
Total shareholders' funds		**10**	10

During the year the company recorded a profit of £10,000 (2021: £nil), being dividends received from its subsidiary.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The notes on pages 16 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 31 July 2023 and were signed on its behalf by:

J P George
Director
Company registered number: 04528790

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Attributable to the owners of the parent			
	Share capital	Profit and loss account	Cash flow hedge reserve	Total equity
	£'000	£'000	£'000	£'000
Balance at 31 December 2020	10	1,846	(2,370)	(514)
Profit for the year	-	37	-	37
Other comprehensive income for the year, net of tax	-	-	1,063	1,063
Total comprehensive income for the year	-	37	1,063	1,100
Dividends	-	-	-	-
Balance at 31 December 2021	10	1,883	(1,307)	586
Profit for the year	-	**28**	-	**28**
Other comprehensive income for the year, net of tax	-	-	**1,186**	**1,186**
Total comprehensive income for the year	-	**28**	**1,186**	**1,214**
Dividends	-	**(10)**	-	**(10)**
Balance at 31 December 2022	**10**	**1,901**	**(121)**	**1,790**

The notes on pages 16 to 30 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 31 December 2020	10	-	10
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Dividends	-	-	-
Balance at 31 December 2021	10	-	10
Profit for the year	-	**10**	**10**
Total comprehensive income for the year	-	**10**	**10**
Dividends	-	**(10)**	**(10)**
Balance at 31 December 2022	**10**	-	**10**

The notes on pages 16 to 30 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit before taxation	**9**	133
Adjustments for:		
Financial income	**(1,346)**	(1,443)
Financial expense	**1,227**	1,312
Operating profit before changes in working capital and provisions	**110**	2
Decrease in finance receivables	**2,041**	1,906
(Increase) in trade and other receivables	**(129)**	(27)
Increase in trade and other payables	**491**	235
Increase in provisions	**409**	350
Cash generated from operations	**2,702**	2,466
Tax paid	**(106)**	-
Net cash flows from operating activities	**2,596**	2,466
Cash flows from investing activities		
Interest received	**1,346**	1,443
Cash placed on deposit	**(4,150)**	-
Net cash flows from investing activities	**(2,804)**	1,443
Cash flows from financing activities		
Interest paid	**(1,783)**	(797)
Repayment of borrowings	**(1,949)**	(2,091)
Dividends	**(10)**	-
Net cash flows from financing activities	**(3,742)**	(2,888)
Net (decrease)/increase in cash and cash equivalents	**(3,950)**	1,021
Cash and cash equivalents at the beginning of the year	**6,289**	5,268
Cash and cash equivalents at the end of the year	**2,339**	6,289

The notes on pages 16 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Enterprise Education Holdings Conwy Limited (the "Company") is a private Company limited by shared and incorporated, domiciled and registered in the England in the UK. The registered number is 04528790 and the registered office address is Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

Basis of preparation

The group financial statements consolidate those of the Company and its subsidiary (together referred to as the "Group"). The parent Company financial statements present information about the Company as a separate entity and not about its group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling and monetary amounts are rounded to the nearest £'000.

The parent Company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company have been applied:

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

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

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis except for derivative financial instruments which are stated at their fair value.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies *(continued)*

Going concern

The Group had net assets of £1,790,000 as at 31 December 2022 and generated a profit for the year then ended of £28,000. The parent company had net assets of £10,000 as at 31 December 2022. The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Group would lead to service failure points being awarded against the Group in accordance with the terms of Group's contract with Conwy County Borough Council sufficient to cause an event of default under the terms of the terms of the Group's external borrowings. To date, there has been no material adverse impact on the Group's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Group will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Investments

Investments are stated at cost less impairment.

Finance receivable

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 receivable. During the operational phase income is allocated between interest receivable and the finance receivable using a project specific interest rate. The remainder of the PFI unitary charge income is included within revenue in accordance with the services contracts accounting policy below. Finance receivables and amounts recoverable on contracts are classified as loans and receivables as defined in IAS 39, which are initially recognised at fair value and then are stated at amortised cost.

Finance receivables are expected to be realised over the life of the project. As at 31 December 2022 finance receivables include £15,456,000 (2021: £17,639,000) due after more than twelve months.

Impairment (excluding deferred tax)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

Provisions

A provision is recognised where the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies *(continued)*

Services contracts

The amount of profit attributable to the stage of completion of a service contract is recognised when the outcome of the contract can be measured reliably. Income received in respect of the PFI contract is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest method. Service revenue is recognised as a margin on operating and maintenance costs on a stage of completion basis. Provision is made for any losses as soon as they are foreseen.

Revenue

Revenue is recognised in accordance with the finance receivable and service contracts accounting policies above and excludes VAT.

Interest income

Interest income arises on funds invested in deposits. It is recognised in profit or loss as it accrues, using the effective interest method.

Services revenue

Services revenue is comprised of revenues from the provision of facilities management services to Private Finance Initiative or Public Private Partnerships ("PFI/PPP") projects.

Trade and other debtors/creditors

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

Derivative financial instruments and hedging

The Group primarily uses interest rate swaps to hedge its risks associated with interest rate fluctuations. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Interest rate swaps are recognised at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow 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 the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies *(continued)*

Cash flow hedges (continued)

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.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using an effective interest method.

Taxation

Corporation tax on the profit or loss for the year comprises current and deferred tax. Corporation tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or disallowable for tax or because certain tax changes or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Restricted cash

The Group is obligated to keep a separate cash reserve in respect of future major maintenance and debt service costs, some of which has been placed in fixed term deposit accounts. This restricted balance, which is shown on the balance sheet within the "cash and cash equivalents" balance for cash balances and within the debtors for amounts held in fixed term deposits, amounts to £4,150,000 at the year end (2021: £4,578,000).

Financing costs

Financing costs comprise interest payable, and gains and losses on hedging instruments that are recognised in the income statement.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Interest payable during the construction phase of the contract is capitalised as part of the finance receivable.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2 Accounting estimates and judgements

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

Lifecycle costs are a significant proportion of future expenditure Given the length of the Group's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts and as a result there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, regular reviews are undertaken comparing actual expenditure and lifecycle forecast. If over the remainder of the concession lifecycle costs increase by 10% this could lead to a reduction in margin recognised of 3%.

Certain critical accounting judgements in applying the Group's accounting policies are described below:

The Directors consider the Company to have met the criteria for hedge accounting; the Company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which is based on forecasted results of the PFI contract. There is therefore estimation uncertainty in the calculation of the service revenue figure.

A provision of £759,000 has been recognised in respect of a lifecycle claim (see note 23).

3 Turnover

	2022	2021
	£'000	£'000
Service revenue	**4,189**	**3,609**
Other revenue	**624**	**266**
	4,813	**3,875**

All turnover originates in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 Profit before tax

Profit before tax is stated after charging:

	2022	2021
	£'000	£'000
Auditor's remuneration:		
Audit of these financial statements	1	1
Amounts receivable by the company's auditor and its associates in respect of:		
- Audit of financial statements of subsidiaries of the company	14	14

5 Remuneration of directors

Fees totalling £54,000 were payable to third parties for directors' services during the year (2021:£50,000).

6 Employees

The Group had no employees during the year (2021: none).

7 Interest receivable and similar income

	2022	2021
	£'000	£'000
Finance receivable interest	1,291	1,443
Bank interest receivable	55	-
	1,346	1,443

8 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest on bank term loans	667	769
Interest on subordinated debt	560	543
	1,227	1,312

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9 Taxation

	2022 £'000	2021 £'000
Profit and loss account		
Current year current tax	**2**	25
Prior year	**(21)**	71
Subtotal tax expense reported in the profit and loss account	**(19)**	96
Deferred tax		
Revaluation of fair value of derivatives	**395**	120
Subtotal tax expense reported in other comprehensive income	**395**	120
Total tax reported in total comprehensive income	**376**	216

	2022 £'000	2021 £'000
Reconciliation of effective tax rate		
Profit before taxation	**9**	**133**
UK Corporation tax thereon at 19% (2021: 19%)	**2**	**25**
Adjustment to prior year	**(21)**	**71**
Total tax in the profit and loss account	**(19)**	**96**

The standard rate of UK corporation tax is scheduled to increase from 19% to 25% from April 2023. This will increase the company's future current tax charge accordingly.

10 Dividends

	2022 £'000	2021 £'000
Interim dividend of £1 per Ordinary Share (2021: £nil per Ordinary Share)	**10**	-
	10	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11 Fixed asset investments

Company	**Shares in group undertakings £'000**
Cost	
1 January 2021, 31 December 2021 and 31 December 2022	10
Provisions	
1 January 2021, 31 December 2021 and 31 December 2022	-
Cost and Carrying value	
At 1 January 2021, 31 December 2021, and 31 December 2022	**10**

The undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Registered office address	**Principal activity**	**Class and percentage of shares held**
Enterprise Education Conwy Limited	Unit 18, Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston, Lancashire, PR2 2YP	PFI operator	**£1 shares 100%**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12 Debtors - Group

	2022 £'000	2021 £'000
Finance receivable	17,591	19,632
Bank term deposits	4,150	-
Deferred tax asset	128	436
Trade receivables	144	120
Other receivables	56	12
Corporation tax receivable	116	78
Prepayments and accrued income	121	60
	22,306	20,338
Due within one year	6,722	2,263
Due after more than one year	15,584	18,075
	22,306	20,338

13 Creditors: amounts falling due within one year - Group

	2022 £'000	2021 £'000
Bank term loan	1,486	1,950
Trade payables	158	48
Accruals and deferred income	1,882	2,086
Other taxation	168	241
Other payables	5,203	5,110
	8,897	9,435

The carrying value of creditors is measured at amortised cost which approximates to fair value.
Included within other payables is the Unitary Charge Control Account of £5,142,000 (2021: £5,048,000).

14 Creditors: amounts falling due after more than one year - Group

	2022 £'000	2021 £'000
Bank term loan	9,096	10,572
Subordinated debt	3,940	3,940
Derivative financial instruments	163	1,744
	13,199	16,256

Included within Bank term loan are amounts payable after five years of £2,421,629 (2021: £4,763,382)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15 Deferred tax assets and liabilities - Group

Movement in deferred tax	Derivative financial instruments £'000	Other timing differences £'000	**Total £'000**
31 December 2020	**556**	-	**556**
Recognised in other comprehensive income	(120)	-	(120)
31 December 2021	**436**	-	**436**
Reclassified from current tax	-	66	66
Recognised in profit and loss	-	21	21
Recognised in other comprehensive income	(395)	-	(395)
31 December 2022	**41**	**87**	**128**

16 Interest bearing loans and borrowings - Group

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2022 £'000	2021 £'000
Creditors falling due after more than one year		
Bank term loan	**9,096**	10,572
Subordinated debt	**3,940**	3,940
Total	**13,036**	14,512
Creditors falling due in less than one year		
Bank term loan	**1,486**	1,950
Total	**1,486**	1,950

Terms and debt repayment schedule

The bank term loan is redeemable by instalments each on 31 March and 30 September which commenced on 30 September 2004 with the final repayment due on 31 January 2028. The loan is secured by a debenture fixed and floating charge over the assets of the Group and bears interest at a variable rate based on SONIA. The interest rate swap converts the borrowings to a fixed rate of 4.78%.

Repayment of the subordinated debt has been deferred until the end of the project, which is expected to be 2029. The interest rate on the subordinated debt is 13.2% per annum.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17 Financial instruments - Group

The Group's principal financial instruments comprise trade and other receivables, trade and other payables, cash and cash equivalents, interest rate swaps, bank term loan and subordinated debt. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities. Board approval is required for the use of any new financial instrument, and the Group's ability to do so is restricted by covenants in its existing funding agreements.

At 31 December 2022 the Group held interest rate swaps, which related to the fixing of the interest cost on variable rate debt and are being used to reduce the exposure to interest rate risk. The Group classifies these swaps as cash flow hedges and states them at fair value. The net fair value of these swaps at 31 December 2022 was a £122,000 financial liability (£163,000 less tax of £41,000), and at 31 December 2021 was a £1,307,000 financial liability (£1,744,000 less tax of £436,000). These amounts were recognised in other comprehensive income in the year. There was no ineffectiveness recognised in the income statement arising from cash flow hedges.

Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

17 Financial instruments - Group *(continued)*

Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102 12.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

		2022			
		Interest payments over the concession			
	Carrying Amount £'000	**Within 1 year £'000**	**Between 1-2 years £'000**	**Between 2-5 years £'000**	**5 years and over £'000**
Interest rate swap	**(163)**	**(47)**	**(75)**	**(261)**	**(21)**

		2021			
		Interest payments over the concession			
	Carrying Amount £'000	Within 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	5 years and over £'000
Interest rate swap	(1,744)	(681)	(575)	(1,276)	(310)

The interest rate swap converts the borrowings to a fixed rate of 4.78%.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Fair values

The amounts for all financial assets and financial liabilities carried at fair value is as follows:

	Fair value 2022 £'000	Fair value 2021 £'000
Interest rate swap contract	**(163)**	(1,744)

18 Analysis of changes in net debt

Group	**Borrowings due within one year £'000**	**Borrowings due after one year £'000**	**Subtotal £'000**	**Cash and cash equivalents £'000**	**Bank term deposits £'000**	**Net debt £'000**
As at 1 January 2022	**(1,950)**	**(16,256)**	**(18,206)**	**6,289**	**-**	**(11,917)**
Cash flows	**1,949**	**-**	**1,949**	**(3,950)**	**4,150**	**2,149**
Other non-cash changes						
Amortisation of loan issue costs	**(9)**	**-**	**(9)**	**-**	**-**	**(9)**
Reclassification from >1 year to <1 year	**(1,476)**	**1,476**	**-**	**-**	**-**	**-**
Change in market value of swaps	**-**	**1,581**	**1,581**	**-**	**-**	**1,581**
As at 31 December 2022	**(1,486)**	**(13,199)**	**(14,685)**	**2,339**	**4,150**	**(8,196)**

Group	Borrowings due within one year £'000	Borrowings due after one year £'000	Subtotal £'000	Cash and cash equivalents £'000	Bank term deposits £'000	Net debt £'000
As at 1 January 2021	(2,091)	(19,379)	(21,470)	5,268	-	(16,202)
Cash flows	2,091	-	2,091	1,021	-	3,112
Other non-cash changes						
Amortisation of loan issue costs	(10)	-	(10)	-	-	(10)
Reclassification from >1 year to <1 year	(1,940)	1,940	-	-	-	-
Change in market value of swaps	-	1,183	1,183	-	-	1,183
As at 31 December 2021	(1,950)	(16,256)	(18,206)	6,289	-	(11,917)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19 Share capital - Company

	2022	2021
Allotted, called up and fully paid:	£	£
10,000 ordinary shares of £1 each	**10,000**	10,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cash flow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

20 Related party disclosures

The Group is controlled by Infrastructure Investments LP (acting by its general partner, Infrastructure Investments General Partner Limited) which has a 90% interest. The remaining interest is held by Sodexo Investment Services Limited (10%).

Infrastructure Investments LP and Sodexo groups of companies have interests in certain contracts placed by the Group, for the financing, construction and provision of certain services in relation to the operation of its 27 year Private Finance Initiative contract for Conwy County Borough Council.

Infrastructure Investments LP and Sodexo are also parties to an Equity Subscription and Subordinated Debt agreements for the Company. The Hospital Company (Oxford John Radcliffe) Ltd, Infrastructure Investments LP and Consort Healthcare (Blackburn) Limited are related to the Company by common ownership.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20 Related party disclosures (continued)

During the year, the Group incurred costs charged by these related parties as follows:

	Transactions		Balance owed to at year end	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Management Services				
- Sodexo Limited	**2,220**	2,047	**1,434**	1,133
Directors' fees				
- Sodexo Investment Services Limited	**27**	25	**27**	25
- Infrastructure Investments LP	**27**	25	**27**	25
Subordinated debt - Interest				
- Sodexo Investment Services Limited	**56**	54	**13**	67
- Infrastructure Investments LP	**504**	489	**118**	607
Subordinated debt - Principal				
Sodexo Investment Services Limited	**-**	-	**394**	394
- Infrastructure Investments LP	**-**	-	**3,546**	3,546
Group/consortium relief				
- HICL Infrastructure plc	**-**	-	**63**	49
- The Hospital Company (Oxford John Radcliffe) Ltd	**-**	-	**-**	28
	2,834	2,640	**5,622**	5,874

21 Ultimate parent company and parent undertaking of larger group of which the Company is a member

Infrastructure Investments General Partner Limited, acting as general partner for and on behalf of Infrastructure Investments LP is the majority shareholder of the Company. The registered addresses for both of these companies is The registered address for both is One Bartholomew Close, Barts Square, London, England, EC1A 7BL.

The ultimate parent of the group is HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at One Bartholomew Close, Barts Square, London, England, EC1A 7BL.

These are the only group accounts which include the results of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22 Post balance sheet events

Subsequent to year-end, an adjudication decision was reached over the provision as detailed in note 23.

23 Provisions and contingent liabilities

During the prior year, the group was notified of a claim for payment of lifecycle costs dating back to 2005, amounting to £938,000. Due to the uncertainty of the amounts in 2021, £350,000 was provided for. During the year, the final adjudication has been reached and therefore, an increase in provision by £289,422 relating to the claim and anticipated legal fees of £119,142. An adjudication settlement decision was reached on 23rd June 2023 with the amount of £639,422 payable to Sodexo Limited.