

REGISTERED NUMBER: 06938326 (England and Wales)

**Strategic Report, Directors' Report and
Audited Financial Statements for the Year Ended 30 September 2020**
for
**Environments for Learning Sandwell PFI
One Limited**



**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

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for the Year Ended 30 September 2020**

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**Environments for Learning Sandwell PFI
One Limited**

**Company Information
for the Year Ended 30 September 2020**

Directors:	C R Field J S Gordon C J Marsh K A Cunningham
Secretary:	W L Rapley
Registered office:	C/O Albany SPC Services Limited 3rd Floor 3-5 Charlotte Street Manchester M1 4HB
Registered number:	06938326 (England and Wales)
Independent auditor:	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE
Bankers:	Barclays Bank Plc 1 Churchill Place London E14 5HP

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Strategic Report
for the Year Ended 30 September 2020**

The directors present their strategic report for the year ended 30 September 2020.

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

Review of business

The Company was formed to enter into a Private Finance Initiative (PFI) concession to design, build, finance and operate educational establishments in Sandwell, for the Borough Council of Sandwell. Contract negotiations were successfully completed on 31 July 2009 and construction commenced immediately, building Rowley Learning Campus, with the final handover in June 2011. The contract will run until 2036.

There have not been any changes in the Company's activities in the year under review, and the directors are not aware, at the date of this report, of any changes in activity for the foreseeable future.

In the reporting year, the Company made a profit of £48,000 (2019: £401,000).

Key performance indicators

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

The PFI subcontracts with Interserve Construction Limited which follows a set formula for the life of the contract and this enables the Company to have certainty over its income and major expenses until 2036. Furthermore, the Company has a Credit Agreement with its lenders which fixes the level of borrowing and repayments due until the loan is fully repaid in 2035 incorporating inter alia the terms of the PFI contract, Subcontract and Credit Agreement.

Future developments

The United Kingdom left the European Union on 31 January 2020. The Company is not affected, as the cash flows are secured under a long term PFI Contract with the client, which is a government body.

Principal risks and uncertainties

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

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

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Strategic Report
for the Year Ended 30 September 2020**

Financial risk management

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

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

Interest rate risk

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

Inflation risk

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

Liquidity risk

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

At the start of the PFI contract, the Company negotiated debt facilities with an external party to ensure that the company has sufficient funds over the life of the PFI concession. Those facilities are in default at the year end and as a result the long-term debt has been recognised as due within one year. The Event of Default has been resolved subsequent to year end. Further details can be found in the notes to the accounts under balance sheet events.

Credit risk

The Company receives the bulk of its revenue from a local authority and therefore is not exposed to significant credit risk.

Cash investments and interest rate swap arrangement are with institutions of a suitable credit quality.

Ownership

The Company is wholly owned by Environments for Learning Sandwell PFI Holdco One Limited ("the Holding Company"), which is the immediate parent and controlling party.

The next immediate controlling party is Environments for Learning Limited which has a majority shareholding interest in the Holding Company and thus, in the Company. Environments for Learning Limited is ultimately owned by Coral Project Investments LP and Dalmore Capital Fund LP, both registered and operating in the United Kingdom and both acting by their manager, Dalmore Capital Limited. In the opinion of the directors, these two entities jointly control the Company.

Going concern

Environments for Learning Sandwell PFI One Limited (the 'Project Company') has a Credit Agreement with lenders. Under the agreement, Interserve PLC was acting as a parent company guarantor (PCG) for both the Building and FM subcontractor, Interserve Construction Limited, of which was a subsidiary of Interserve PLC. On the 15 March 2019, Interserve PLC went into administration, as a result of which Interserve Construction Limited was sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders.

Under the Credit Agreement with the lenders, if the PCG enters administration, this triggers an Event of Default. Once Interserve PLC entered administration, an Event of Default occurred. On 29 November 2020, a waiver has been signed accepting the PCG of Interserve Group Limited for Interserve Construction Limited. As a result, the Company is no longer in default due to the administration of Interserve PLC.

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Strategic Report
for the Year Ended 30 September 2020**

Going concern - continued

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

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

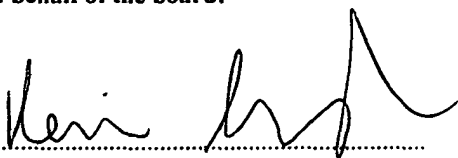
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company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

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

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

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

On behalf of the board:


.....
K A Cunningham - Director

Date: 31/03/2021
.....

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Directors' Report
for the Year Ended 30 September 2020**

The directors present their report with the financial statements of the Company for the year ended 30 September 2020.

Principal activity

The principal activity of the Company in the year is included in the strategic report.

Strategic report

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

Information related to the going concern assumptions, principal risk and uncertainties are included in the strategic report.

Employees

The Company has no direct employees (2019: nil).

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.

Dividends

No dividends have been distributed for the year ended 30 September 2020. Since the year end and upon receiving the PCG waiver from the lender on 29 November 2020, the directors have proposed and paid a dividend of £107,547 prior to the approval of these financial statements.

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The directors set out in the table below have held office during the whole of the period from 1 October 2019 to the date of this report unless otherwise stated.

Other changes in directors holding office are as follows:

P K Johnstone - resigned 4.6.2020

K A Cunningham - appointed 4.6.2020

M Templeton ceased to be a director after 30 September 2020 but prior to the date of this report.

The directors shown below were in office at 30 September 2020 but did not hold any interest in the Ordinary shares of £1 each at 1 October 2019 (or date of appointment if later) or 30 September 2020.

C R Field

J S Gordon

C J Marsh

M Templeton

K A Cunningham

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Directors' Report
for the Year Ended 30 September 2020**

Statement as to disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

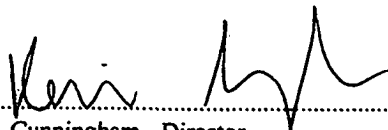
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

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

On behalf of the board:



.....
K A Cunningham - Director

Date: 31/03/2021

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Statement of Directors' Responsibilities
for the Year Ended 30 September 2020**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

**Independent Auditor's Report to the Members of
Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

Opinion

We have audited the financial statements of Environments for Learning Sandwell PFI One Limited (the 'Company') for the year ended 30 September 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of
Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Independent Auditor's Report to the Members of
Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

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

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

Date: 31st March 2021
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**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Statement of Comprehensive Income
for the Year Ended 30 September 2020**

	Notes	2020 £'000	2019 £'000
TURNOVER	4	2,609	2,679
Cost of sales		<u>(1,960)</u>	<u>(1,608)</u>
GROSS PROFIT		649	1,071
Administrative expenses		<u>(286)</u>	<u>(385)</u>
OPERATING PROFIT	6	363	686
Interest receivable and similar income	7	3,283	3,404
Interest payable and similar expenses	8	<u>(3,588)</u>	<u>(3,595)</u>
PROFIT BEFORE TAXATION		58	495
Tax on profit	9	<u>(10)</u>	<u>(94)</u>
PROFIT FOR THE FINANCIAL YEAR		48	401
OTHER COMPREHENSIVE INCOME/(LOSS)			
Fair value movement of derivatives		242	(1,466)
Income tax relating to other comprehensive income/(loss)		<u>101</u>	<u>249</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		<u>343</u>	<u>(1,217)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u><u>391</u></u>	<u><u>(816)</u></u>

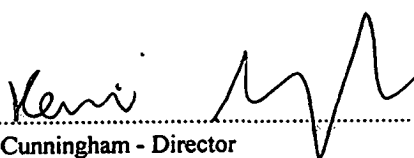
The notes form part of these financial statements

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Statement of Financial Position
30 September 2020**

	Notes	2020 £'000	2019 £'000
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	1,842	1,451
Debtors: amounts falling due after more than one year	11	39,960	41,390
Cash in hand	12	6,980	5,756
		<u>48,782</u>	<u>48,597</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(42,585)</u>	<u>(41,503)</u>
NET CURRENT ASSETS		<u>6,197</u>	<u>7,094</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,197	7,094
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	<u>(11,456)</u>	<u>(12,744)</u>
NET LIABILITIES		<u>(5,259)</u>	<u>(5,650)</u>
CAPITAL AND RESERVES			
Called up share capital	16	10	10
Cash flow hedging reserves	17	(5,712)	(6,055)
Retained earnings	17	443	395
SHAREHOLDERS' FUNDS		<u>(5,259)</u>	<u>(5,650)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 31/03/2021 and were signed on its behalf by:


.....
K A Cunningham - Director

The notes form part of these financial statements

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Statement of Changes in Equity
for the Year Ended 30 September 2020**

	Called up share capital £'000	Retained earnings £'000	Cash flow hedging reserves £'000	Total equity £'000
Balance at 1 October 2018	10	85	(4,838)	(4,743)
Changes in equity				
Profit for the year	-	401	-	401
Other comprehensive income	-	-	(1,217)	(1,217)
	-	401	(1,217)	(816)
Total comprehensive loss	-	401	(1,217)	(816)
Dividends	-	(91)	-	(91)
Balance at 30 September 2019	10	395	(6,055)	(5,650)
Changes in equity				
Profit for the year	-	48	-	48
Other comprehensive income	-	-	343	343
Total comprehensive income	-	48	343	391
Balance at 30 September 2020	10	443	(5,712)	(5,259)

The notes form part of these financial statements

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements
for the Year Ended 30 September 2020**

1. Statutory information

Environments for Learning Sandwell PFI One Limited is a private company, limited by shares, registered and incorporated in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

Monetary amounts in these financial statements are rounded to the nearest £'000.

2. Accounting policies

Basis of preparing the financial statements

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

Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

Going concern

Environments for Learning Sandwell PFI One Limited (the 'Project Company') has a Credit Agreement with lenders. Under the agreement, Interserve PLC was acting as a parent company guarantor (PCG) for both the Building and FM subcontractor, Interserve Construction Limited, of which was a subsidiary of Interserve PLC. On the 15 March 2019, Interserve PLC went into administration, as a result of which Interserve Construction Limited was sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders.

Under the Credit Agreement with the lenders, if the PCG enters administration, this triggers an Event of Default. Once Interserve PLC entered administration, an Event of Default occurred. On 29 November 2020, a waiver has been signed accepting the PCG of Interserve Group Limited for Interserve Construction Limited. As a result, the Company is no longer in default due to the administration of Interserve PLC.

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

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

2. Accounting policies - continued

Going concern - continued

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

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

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

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

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

Accounting convention

Under the terms of the contract substantially all the risks and rewards of ownership of the property remain with Borough Council of Sandwell.

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

Revenues received from the customer are apportioned between:

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

Cash Investments

Cash Investments are stated at cost excluding any accrued interest and with no provision for impairment in value.

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

2. Accounting policies - continued

Financial instruments

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

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

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

Basic financial assets

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

Loans and receivables

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

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

Impairment of the financial assets

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

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

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

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

2. Accounting policies - continued

Financial instruments - continued

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

Other financial liabilities

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

Hedge accounting

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

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

Cash flow hedges

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

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

Taxation

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

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

Deferred Tax

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

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

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the 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 result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

- Accounting for the service concession contract and financial assets require an estimation of the service margins, financial assets, interest rates and associated amortisation profile which is based on forecast results of the PFI contract detailed below.

Critical judgements in applying the company's accounting policies

- Derivative financial instruments are held at fair value detailed below.
- Applicability of hedge accounting detailed below.
- Cashflow certainty of hedges detailed below.

Accounting for service concessions and PFI contracts

Service concessions

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

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

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

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

Derivative financial instruments

Financial instruments

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

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

Critical accounting judgements and key sources of estimation uncertainty - continued

Derivative financial instruments - continued

Hedge accounting

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

Cash flow certainty of hedges

Due to the event of default in early 2019, the bank loan of the PFI has been presented as a current liability (see note 15). The default was caused due to the liquidation of the parent company guarantor (PCG). However, the Company has resolved the issue with the bank to allocate Interserve Group Limited as the new guarantor of the loan, and a waiver of accepting new PCG has been signed on 29 November 2020, therefore will not affect the originally forecast and hedged payments under the facility.

The application of hedge accounting has remained unaffected. This is due to the repayments under the loan being judged by management to remaining highly probable, as the expectation is that the matters that give rise to the default are expected to be resolved post year end. The remaining repayments are anticipated to be made as per the original repayment schedule in the bank and swap agreements.

4. Turnover

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

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

	2020	2019
	£'000	£'000
Turnover from operations	2,343	2,387
Pass through income	266	292
	<u>2,609</u>	<u>2,679</u>

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided, and is recognised each year as the applicable portions of the amounts receivable relating to finance and operating costs calculated on a consistent basis (see accounting policy note 2).

Turnover is attributable to one geographical market, the United Kingdom. Turnover from pass throughs in the current year and previous year relate to deductions and variations.

5. Employees and directors

The Company had no employees (2019: nil) during the period other than the directors. Emoluments paid to third parties for directors' services to the Company were: £nil (2019: £nil).

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

6. Operating profit

The operating profit is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration – audit services for the audit of the company's annual accounts	15	15
Tax Compliance Services	6	6
	<u> </u>	<u> </u>

The audit fee and tax advisory fees are borne by Sandwell Futures Limited.

7. Interest receivable and similar income

	2020	2019
	£'000	£'000
Bank interest	24	42
Interest receivable on financial asset	3,259	3,362
	<u> </u>	<u> </u>
	3,283	3,404
	<u> </u>	<u> </u>

8. Interest payable and similar expenses

	2020	2019
	£'000	£'000
Senior secured loan	1,914	2,010
Swap interests paid	763	761
Amount payable to group undertakings	839	743
Other interest	1	-
Other finance costs	51	53
Bank agency fee	20	28
	<u> </u>	<u> </u>
	3,588	3,595
	<u> </u>	<u> </u>

9. Taxation

Analysis of the tax charge

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

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax	11	94
Over provided in prior years	(1)	-
	<u> </u>	<u> </u>
Tax on profit	10	94
	<u> </u>	<u> </u>

UK corporation tax has been charged at 19% (2019 - 19%).

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

9. Taxation - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Profit before tax	<u>58</u>	<u>495</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	11	94
Effects of: Adjustments to tax charge in respect of previous periods	<u>(1)</u>	<u>-</u>
Total tax charge	<u>10</u>	<u>94</u>

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2020 Net £'000
Fair value movement of derivatives	<u>242</u>	<u>101</u>	<u>343</u>
	Gross £'000	Tax £'000	2019 Net £'000
Fair value movement of derivatives	<u>(1,466)</u>	<u>249</u>	<u>(1,217)</u>

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This tax rate change have been reflected in the calculation of deferred tax at the balance sheet date.

The Company has no tax losses (2019: nil). There is a deferred tax asset relating to the interest rate derivative which will unwind over the term of the hedging arrangement. All movements in the deferred tax have been recognised in other comprehensive income.

Factors that may affect future tax charges

A change to the future UK corporation tax rate was announced in the March 2021 Budget. An increase in the UK corporation tax rate from 19% to 25% with effective from 1 April 2023. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

10. Dividends

	2020 £'000	2019 £'000
Dividend paid	<u>-</u>	<u>91</u>

No dividends are payable as at 30 September 2020. Since the year end and upon receiving the PCG waiver from the lender on 29 November 2020, the directors have proposed and paid a dividend of £107,547 prior to the approval of these financial statements.

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

11. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Financial asset receivable (PFI)	1,374	1,270
Deferred tax asset	155	-
Corporation tax asset	14	-
Prepayments, accrued income and other debtors	299	181
	<u>1,842</u>	<u>1,451</u>
Amounts falling due after more than one year:		
Financial asset receivable (PFI contract)	38,776	40,150
Deferred tax asset	1,184	1,240
	<u>39,960</u>	<u>41,390</u>
Aggregate amounts	<u>41,802</u>	<u>42,841</u>

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

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

12. Cash in hand

	2020 £'000	2019 £'000
Cash in hand	<u>6,980</u>	<u>5,756</u>

13. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Subordinated loan (see note 15)	1,892	827
Bank loans and overdrafts (see note 15)	34,723	35,971
Trade creditors	461	396
Corporation tax liability	-	70
VAT liability	266	265
Interest rate swap liability	819	-
Amounts owed to related parties	20	-
Accruals and deferred income	4,404	3,974
	<u>42,585</u>	<u>41,503</u>

The senior secured loan represents amounts borrowed under a facility agreement with Barclays and Nationwide. The loan bears interest at a margin over LIBOR of 2.5% during the construction phase, 2.4% to tenth anniversary, 2.55% from tenth to twentieth and 2.65% from twentieth to the final repayment date and is repayable in instalments between 2011 and 2035. The loan is secured by fixed and floating charges over the undertaking, property, assets and rights of the Company, and has certain covenants attached.

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

13. Creditors: amounts falling due within one year - continued

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

As at the year-end date of the financial statements the Credit Agreement as mentioned in the notes to the accounts was in default, and since no waiver had been received from the lender at year-end date, the loans are classified as due within one year in the balance sheet. The Event of Default has been resolved subsequent to year end. Further details can be found in the note to the accounts under post balance sheet events.

The subordinated loan payable bears interest at a fixed rate of 13% and is repayable in instalments between 2011 and 2036.

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

	2020 £'000	2019 £'000
Subordinated loan (see note 15)	5,223	5,449
Interest rate swap liability	6,233	7,295
	<u>11,456</u>	<u>12,744</u>

The subordinated loan payable bears interest at a fixed rate of 13% and is repayable in instalments between 2011 and 2036.

15. Loans

An analysis of the maturity of loans is given below:

	2020 £'000	2019 £'000
Amounts falling due within one year or on demand:		
Subordinated loan	1,892	827
Senior secured loan	35,178	36,477
Unamortised issue costs	(455)	(506)
	<u>36,615</u>	<u>36,798</u>
Amounts falling due between one and two years:		
Subordinated loan	<u>1</u>	<u>1</u>
Amounts falling due between two and five years:		
Subordinated loan	<u>83</u>	<u>82</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Subordinated loan	<u>5,139</u>	<u>5,366</u>

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

16. Called up share capital

Allotted, issued and fully paid:				
Number:	Class:	Nominal	2020	2019
		value:	£'000	£'000
10,000	Ordinary	£1	10	10
			<u>10</u>	<u>10</u>

On incorporation 10,000 shares were issued at £1 each. They carry no right to fixed income.

17. Reserves

	Retained earnings £'000	Cash flow hedging reserves £'000	Totals £'000
At 1 October 2019	395	(6,055)	(5,660)
Profit for the year	48		48
Cash flow hedging movement	-	242	242
Deferred tax on swap movement	-	(45)	(45)
Deferred tax on swap movement - tax rate	-	146	146
	<u>443</u>	<u>(5,712)</u>	<u>(5,269)</u>
At 30 September 2020	<u>443</u>	<u>(5,712)</u>	<u>(5,269)</u>

Hedge reserves

Derivatives that are designated and effective as hedging instruments carried at fair value, are shown below:

	2020 £'000	2019 £'000
Interest rate swap on loans:		
Fair value of interest rate swap liability at year end	(7,052)	(7,295)
Deferred tax on above	1,340	1,240
	<u>(5,712)</u>	<u>(6,055)</u>

In July 2009 the Company entered into a fixed interest rate swap arrangement to hedge its exposure to the effect of interest rate fluctuations.

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

The swap was effected on a notional amount of £23,084,167 at a fixed rate of 4.99% payable in semi-annual amounts between 30 September 2009 and 28 February 2035.

The fair value of the interest rate swap liability in the current year has been determined by relevant market data.

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

18. Ultimate parent company

The immediate controlling party and parent is Environments for Learning Sandwell PFI Holdco One Limited, which is the smallest company in which these results are consolidated. The registered address is C/O Albany SPC Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB.

The next immediate controlling party and parent is Environments for Learning Limited and this company produces consolidated financial statements at 30 September 2020 which is the largest group in which these results are consolidated. Copies of the financial statements of Environments for Learning Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ and registered address, C/O Albany SPC Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB.

As Environments for Learning Limited is ultimately owned by Coral Project Investments LP and Dalmore Capital Fund LP, both registered and operating in the United Kingdom and both acting by their manager, Dalmore Capital Limited, it is the opinion of the directors that Coral Project Investments LP and Dalmore Capital Fund LP jointly control the Company.

19. Capital commitments

There are no capital commitments (2019: £nil).

20. Related party disclosures

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

The related party transaction for the financial year and amounts payable at 30 September 2020, are shown below include purchases, sales, transfers of good or services, subordinated debt and dividends.

Sandwell Metropolitan Borough Council (Shareholder)

	2020	2019
	£'000	£'000
Subordinated interest	75	67
Dividends	-	8
Sales	(8,797)	(8,797)
Subordinated interest and principal amount payable	<u>640</u>	<u>565</u>

Dalmore Capital (Para 1) Limited and its subsidiary undertakings (Shareholder)

	2020	2019
	£'000	£'000
Subordinated interest	75	67
Dividends	-	8
Other services	9	-
Subordinated interest and principal amount payable	<u>640</u>	<u>565</u>

Environments for Learning Limited and its subsidiary undertakings (Shareholder)

	2020	2019
	£'000	£'000
Subordinated interest	605	535
Dividends	-	66
Other services	12	-
Subordinated interest and principal amount payable	<u>5,122</u>	<u>4,519</u>

**Environments for Learning Sandwell PFI
One Limited (Registered number: 06938326)**

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

20. Related party disclosures - continued

Sandwell Futures Limited (Shareholder)

	2020	2019
	£'000	£'000
Management services and other services	241	328
Subordinated interest	84	74
Dividends	-	9
Sales	(59)	-
Management services and other services amount payable	20	20
Subordinated interest and principal amount payable	712	628

21. Post balance sheet events

New PCG waiver

On 29 November 2020, an agreement has been reached accepting the PCG of Interserve Group Limited for Interserve Construction Limited. A lender consent letter was signed waiving the subsisting Event of Default. As a result, the Company is no longer in default due to the administration of Interserve PLC.

Merger between Interserve Group Limited's facilities management businesses and Mitie Group Plc

On 25 June 2020 Interserve Group Limited and Mitie Group Plc announced that they had signed a Sale and Purchase Agreement for the merger of Interserve's Facilities Management (FM) businesses with that of Mitie Group Plc. On 30 November 2020 Mitie Group Plc completed the merger of Interserve's FM businesses and that with effect from 1 December 2020 Interserve's FM businesses are now owned by Mitie Group Plc. Services have not been affected by these changes. It is proposed, but not yet finalised, for the FM obligations of Interserve Construction Limited to be novated to Mitie FM Limited (formerly known as Interserve (Facilities Management) Ltd).