

**Directors' Report and
Financial Statements for the Year Ended 31 December 2017
for
FocusEducation (Lincolnshire) Limited**

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for the Year Ended 31 December 2017**

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FocusEducation (Lincolnshire) Limited

Company Information for the Year Ended 31 December 2017

Directors:	Michael Donn Kenneth Gillespie Leo McKenna Barry Millsom
Secretary:	Ailison Mitchell
Registered office:	3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
Registered number:	04236500 (England and Wales)
Independent auditors:	PricewaterhouseCoopers LLP 1 Hardman Square Manchester M3 3EB
Bankers:	Bank of Scotland 11 Earl Grey Street Edinburgh EH3 9BN
Solicitors:	Bond Dickinson St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX

**Directors' Report
for the Year Ended 31 December 2017**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2017.

Principal activities

The principal activities of the company are to design, finance, construct and operate certain facilities and provide non educational services at a number of schools in Lincolnshire for the period until 31 August 2032 under a concession agreement with Lincolnshire County Council. The agreement to provide new schools and associated facilities management was signed on 27 September 2001 and a Deed of Variation relating to the agreement was signed on 13 August 2004.

Review of business

The project has now completed its twelfth year of operations since the construction phase was completed. Full operational services are generally progressing well, with minimal performance deductions.

Results

The loss for the year is £76,000 (2016 profit: £10,000).

Dividends

The company made no dividend payment in the year (2016: £nil).

Directors

The directors during the year under review were:

Michael Donn
Kenneth Gillespie
Leo McKenna
Barry Millsom

The directors holding office at 31 December 2017 did not hold any beneficial interest in the issued share capital of the company at 1 January 2017 or 31 December 2017.

Financial instruments

The company's principal financial instruments comprise of a term loan and unsecured loan stock. The terms of these financial instruments are such that the profile of the debt service costs is tailored to match expected revenues arising from the concession. The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities.

Interest rate risk

The term loan is exposed to interest rate risk. The company has entered into a fixed interest rate swap to avoid volatility on debt service costs on its floating rate debt.

The unsecured loan stock is not exposed to interest rate risk.

Principal risks and uncertainties

The availability fee and the majority of the costs are contractually linked to the Retail Prices Index (excluding mortgage interest) (RPIx). A relatively small proportion of total costs are not inflation-linked and a rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals have not been excessive.

A small proportion of cash flow is derived from bank interest on cash balances. The reduction in credit interest rates is therefore a risk to the business and its compliance with debt covenants.

**Directors' Report
for the Year Ended 31 December 2017**

Key performance indicators

The level of performance and availability deductions arising from failures to achieve specified levels of contract service is a key performance indicator. These are reported quarterly to the Board and have been small in relation to total unitary payments.

Another key indicator is the ratio of operating cash flow to the senior debt service amount. This ratio is tested at six-monthly intervals and each time it has been to the satisfaction of the senior debt provider.

Going concern

The directors have reviewed the net liabilities position at 31 December 2017 together with the company's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the company to continue trading for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

Disclosure in the strategic report

The company has taken advantage of the exemption under section 414B of the Companies Act 2006 not to present a Strategic Report.

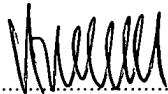
Statement as to disclosure of information to auditors

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 auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

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

On behalf of the board:



.....
Ailison Mitchell - Secretary

Date: 4 May 2018

**Statement of Directors' Responsibilities
for the Year Ended 31 December 2017**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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 auditors' report to the members of FocusEducation (Lincolnshire) Limited

Report on the audit of the financial statements

Opinion

In our opinion, FocusEducation (Lincolnshire) Limited financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
4 May 2018

FocusEducation (Lincolnshire) Limited (Registered number: 04236500)

**Profit and Loss Account and Other Comprehensive Income
for the Year Ended 31 December 2017**

	Notes	2017 £'000	2016 £'000
Turnover	3	1,348	1,556
Cost of sales		<u>(1,130)</u>	<u>(1,315)</u>
Gross profit		218	241
Administrative expenses		<u>(270)</u>	<u>(179)</u>
Operating (loss)/profit	5	(52)	62
Interest receivable and similar income	6	1,126	1,173
Interest payable and similar expenses	7	<u>(1,158)</u>	<u>(1,216)</u>
(Loss)/profit before taxation		(84)	19
Tax on (loss)/profit	8	<u>8</u>	<u>(9)</u>
(Loss)/profit for the financial year		(76)	10
Other comprehensive income/(loss)			
Effective portion of changes in fair value of cash flow hedges		70	(1,070)
Net change in fair value of cash flow hedges recycled to profit and loss		727	740
Income tax relating to components of other comprehensive income/(loss)		<u>(153)</u>	<u>15</u>
Other comprehensive income/(loss) For the year, net of income tax		<u>644</u>	<u>(315)</u>
Total comprehensive income/(loss) for the year		<u><u>568</u></u>	<u><u>(305)</u></u>

The notes on pages 10 to 20 form part of these financial statements

FocusEducation (Lincolnshire) Limited (Registered number: 04236500)

Balance Sheet
31 December 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors: amounts falling due within one year	9	1,460	1,167
Debtors: amounts falling due after more than one year	9	16,354	17,189
Cash at bank		1,850	2,258
		<u>19,664</u>	<u>20,614</u>
Creditors: amounts falling due within one year	10	<u>(3,792)</u>	<u>(3,661)</u>
Net current assets		<u>15,872</u>	<u>16,953</u>
Total assets less current liabilities		<u>15,872</u>	<u>16,953</u>
Creditors: amounts falling due after more than one year	11	<u>(19,329)</u>	<u>(20,978)</u>
Net liabilities		<u><u>(3,457)</u></u>	<u><u>(4,025)</u></u>
Capital and reserves			
Called up share capital	15	20	20
Cash flow hedging reserve	16	(3,040)	(3,684)
Retained earnings	16	(437)	(361)
Shareholders' funds		<u><u>(3,457)</u></u>	<u><u>(4,025)</u></u>

The financial statements were approved by the Board of Directors on 4 May 2018 and were signed on its behalf by:


LEO MCKENNA

Director

Statement of Changes in Equity
for the year ended 31 December 2017

	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 2016	20	(3,369)	(371)	(3,720)
Total comprehensive expense for the year				
Profit for the financial year	-	-	10	10
Effective portion of changes in fair value of cash flow hedges	-	(1,070)	-	(1,070)
Net change in fair value of cash flow hedges recycled to profit and loss	-	740	-	740
Income tax on other comprehensive income / (expense)	-	15	-	15
Total comprehensive expense for the year	-	(315)	10	(305)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Balance at 31 December 2016	20	(3,684)	(361)	(4,025)
	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 2017	20	(3,684)	(361)	(4,025)
Total comprehensive expense for the year				
Profit for the financial year	-	-	(76)	(76)
Effective portion of changes in fair value of cash flow hedges	-	70	-	70
Net change in fair value of cash flow hedges recycled to profit and loss	-	727	-	727
Income tax on other comprehensive income / (expense)	-	(153)	-	(153)
Total comprehensive expense for the year	-	644	(76)	568
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Balance at 31 December 2017	20	(3,040)	(437)	(3,457)

The notes on pages 10 to 20 form an integral part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2017**

1. Statutory information

FocusEducation (Lincolnshire) Limited is a private company, limited by shares, registered 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 (£).

2. Accounting policies

Basis of preparing the financial statements

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") as issued in August 2014. The amendments to FRS 102, issued in July 2015 and effective immediately, have been applied. All amounts in the financial statements have been rounded to the nearest £1,000.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

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

The Company's ultimate parent undertaking, Consolidated Investment Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Consolidated Investment Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

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

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Financial Reporting Standard 102 - reduced disclosure exemptions

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Consolidated Investment Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by Sections 11 and 12 of FRS102 (Basic Financial Instruments and Other Financial Instrument Issues respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. Accounting policies - continued

Significant judgements and estimates

The preparation of financial statements in conformity with FRS102 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

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

- Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate.

Going concern

The directors have reviewed the net liabilities position at 31 December 2017 together with the company's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the company to continue trading for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

The company is dependent on support from Consolidated Investment Holdings Limited, its parent undertaking, for continued operation as a going concern. The directors of Consolidated Investment Holdings Limited have confirmed their intention to support the company for at least the next 12 months and the foreseeable future.

Finance debtor and service income

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company because the risks and rewards of ownership are deemed to lie principally with the Trust. The Company has taken the transition exemption in FRS 102 Section 35.10(i) which allows it to continue the service concession arrangement accounting policies from previous UK GAAP.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. Amounts receivable under the agreement with the Lincolnshire County Council relating to the hospital facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover. This figure is adjusted in each period to ensure that income recognised more accurately reflects the value of economic benefits provided to the public sector client in each period, and is necessary due to the inflationary nature of the unitary payments. As a consequence of this adjustment to turnover, which is negative in the first half of the concession and positive in the second half (and must net out over the whole concession), a unitary payment control account creditor is recorded on the balance sheet.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. Accounting policies - continued

Classification of financial instruments issued by the company

In accordance with Section 22 of FRS 102, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

(a) Trade and other debtors / creditors

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

(b) Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognized initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(d) Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future financing costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £835,000 at the year end (2016: £840,000).

The Company is also obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £694,000 at the year end (2016: £970,000)

Other financial instruments

(a) Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognized initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognized in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognized as set out below.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

**2. Accounting policies - continued
Other financial instruments (continued)**

(b) Derivative financial instruments and hedging

Derivative financial instruments are recognized at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

(c) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in Other comprehensive income (OCI). Any ineffective portion of the hedge is recognized immediately in profit or loss.

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

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Interest receivable and interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above. Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. Accounting policies - continued

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

3. Turnover

The turnover and loss (2016 - profit) before taxation are attributable to the principal activities of the company.

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

	2017 £'000	2016 £'000
Operational services	1,348	1,556
	<u>1,348</u>	<u>1,556</u>

4. Employees and directors

	2017 £'000	2016 £'000
Recharges in respect of non-executive directors' services	<u>100</u>	<u>98</u>

The company had no employees during the year (2016: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges. The Directors received no remuneration for their services during the year (2016: £nil). A payment is made for the services of the non-executive directors to their employer.

5. Operating (loss)/profit

The operating loss (2016 - operating profit) is stated after charging:

	2017 £'000	2016 £'000
Auditors' remuneration	<u>10</u>	<u>10</u>

Auditors' remuneration consists of 2017: £8,000 (2016: £8,000) in respect of the audit of these financial statements and £2,000 (2016: £2,000) in respect of the audit of the financial statements of the parent company.

6. Interest receivable and similar income

	2017 £'000	2016 £'000
Deposit account interest	14	21
Finance debtor interest	1,112	1,152
	<u>1,126</u>	<u>1,173</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

7. Interest payable and similar expenses

	2017	2016
	£'000	£'000
Senior loan interest	924	975
Loan stock interest	234	241
	<u>1,158</u>	<u>1,216</u>

8. Taxation

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss for the year was as follows:

	2017	2016
	£'000	£'000
Current tax:		
UK corporation tax	(2)	4
Deferred tax	(6)	5
Tax on (loss)/profit	<u>(8)</u>	<u>9</u>

UK corporation tax has been charged at 19.25% (2016 - 20%).

Tax on items charged to equity

	2017	2016
	£'000	£'000
Origination and reversal of timing differences	144	(54)
Effect of changes in tax rate	<u>12</u>	<u>44</u>

Reconciliation of total tax (credit)/charge included in profit and loss

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

	2017	2016
	£'000	£'000
(Loss)/profit before tax	<u>(84)</u>	<u>19</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	(16)	4
Effects of:		
Utilisation of tax losses	6	-
Adjustments to tax charge in respect of previous periods	(3)	-
Recognition of previously unrecognised tax losses	<u>5</u>	<u>5</u>
Total tax (credit)/charge	<u>(8)</u>	<u>9</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

8. Taxation - continued

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2017 Net £'000
Effective portion of changes in fair value of cash flow hedges	70	-	70
Net change in fair value of of cash flow hedges recycled to profit and loss	727	(153)	574
	<u>797</u>	<u>(153)</u>	<u>644</u>

	Gross £'000	Tax £'000	2016 Net £'000
Effective portion of changes in fair value of cash flow hedges	(1,070)	-	(1,070)
Net change in fair value of of cash flow hedges recycled to profit and loss	740	15	755
	<u>(330)</u>	<u>15</u>	<u>(315)</u>

	Current tax £'000	2017 Deferred tax £'000	Total tax £'000	Current tax £'000	2016 Deferred tax £'000	Total tax £'000
Recognised in profit and loss account	(2)	(6)	(8)	4	5	9
Recognised in other comprehensive income	-	156	156	-	(15)	(15)
Total tax	<u>(2)</u>	<u>150</u>	<u>148</u>	<u>4</u>	<u>(10)</u>	<u>(6)</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016 and therefore deferred tax balances have been re-measured. This change has reduced the deferred tax asset by £12,000 (2016: £44,000).

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

9. Debtors

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	10	64
Finance debtor	685	641
Other debtors	10	24
Lifecycle debtor	755	438
	<u>1,460</u>	<u>1,167</u>
Amounts falling due after more than one year:		
Finance debtor	15,672	16,357
Deferred tax asset	682	832
	<u>16,354</u>	<u>17,189</u>
Aggregate amounts	<u>17,814</u>	<u>18,356</u>

The lifecycle debtor represents the difference between the cumulative charge to profit and loss and the cumulative amount of cash expenditure paid to the lifecycle sub-contractor. Lifecycle expenditure is charged to profit and loss on a systematic basis, so as to give an annual charge, increasing with inflation each year, which in total equates to the total amount of the forecast lifecycle expenditure to be paid over the whole concession. The amounts and timing of these payments are defined in the sub-contract agreement.

10. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Senior loan (see note 12)	867	821
Amount owed to group (see note 12)	137	133
Trade creditors	31	16
Corporation tax	-	4
VAT	36	105
Other creditors	2,692	2,520
Accrued expenses	29	62
	<u>3,792</u>	<u>3,661</u>

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

	2017	2016
	£'000	£'000
Senior loan (see note 12)	13,587	14,379
Amount owed to group (see note 12)	2,049	2,109
Other financial liabilities (see note 13)	3,693	4,490
	<u>19,329</u>	<u>20,978</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

12. Loans

An analysis of the maturity of loans is given below:

	2017	2016
	£'000	£'000
Amounts falling due within one year or on demand:		
Senior loan	867	821
Amount owed to group	137	133
	<u>1,004</u>	<u>954</u>
Amounts falling due between one and two years:		
Senior loan	842	792
Amount owed to group	67	60
	<u>909</u>	<u>852</u>
Amounts falling due between two and five years:		
Senior loan	2,889	2,704
Amount owed to group	248	223
	<u>3,137</u>	<u>2,927</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Senior loan	9,856	10,883
Amount owed to group	1,734	1,826
	<u>11,590</u>	<u>12,709</u>

Terms and debt repayment schedule

The total cash repayable on the loan is as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment Schedule	2017 £'000	2016 £'000
Senior loan - Tranche A	GBP	5.52%	2030	Quarterly	12,368	13,016
Senior loan - Tranche B	GBP	5.36%	2030	Quarterly	2,131	2,244
Amounts owing to parent company	GBP	11%	2032	Semi-annual	2,109	2,163

The senior loan is secured by a fixed and floating charge over the assets of the company. The amounts owing to parent company are unsecured.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

13. Other financial liabilities

	2017	2016
	£'000	£'000
Amounts falling due after more than one year:		
Interest rate swap contract	<u>3,693</u>	<u>4,490</u>

Derivative financial instruments measured at fair value

The fair value of interest rate swaps is provided by the swap counterparty.

14. Deferred tax

	£'000
Balance at 1 January 2017	(832)
Charge to Profit and Loss Account and Other Comprehensive Income during year	<u>150</u>
Balance at 31 December 2017	<u>(682)</u>

The net reversal of the deferred tax asset expected to occur in the next reporting period is estimated to be £108,000 (2016: £127,000) based on the anticipated recycling of cash flow hedges to profit and loss and changes in fair values of the cash flow hedging instruments.

15. Called up share capital

Allotted, issued and fully paid:			2017	2016
Number:	Class:	Nominal value:	£	£
20,000	Ordinary £1 (2016: £1)	£1	<u>20,000</u>	<u>20,000</u>

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.

The company paid no dividends in the current financial year (2016: £nil).

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

16. Reserves

	Retained earnings £'000	Cash flow hedging reserve £'000	Totals £'000
At 1 January 2017	(361)	(3,684)	(4,045)
Deficit for the year	(76)		(76)
Cash flow hedging reserve	-	644	644
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2017	<u>(437)</u>	<u>(3,040)</u>	<u>(3,477)</u>

Cash flow hedging reserve

The hedging 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.

Profit and loss account

The profit and loss account records retained earnings and accumulated losses.

17. Ultimate parent company

The company is a subsidiary undertaking of FocusEducation (Lincolnshire) Holdings Limited a company incorporated in England and Wales, which is wholly owned by Consolidated Investment Holdings Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Consolidated Investment Holdings Limited incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

18. Related party disclosures

The company is wholly owned by FocusEducation (Lincolnshire) Holdings Limited which, in turn, is wholly owned by Consolidated Investment Holdings Limited and has therefore taken the exemption in section 33 of FRS 102 'Related Party Disclosures' that allows it not to disclose transactions with wholly owned members of a group.