COMPANY REGISTRATION NUMBER: 04261326

East Leake Schools Limited

Annual Report and Financial Statements

31 December 2016

East Leake Schools Limited

Annual Report and Financial Statements

Year ended 31 December 2016

Contents

East Leake Schools Limited

Officers and Professional Advisers

The board of directors	Michael Canham Natalia Poupard
Company secretary	Infrastructure Managers Limited
Registered office	c/o NIBC Infrastructure Partners 11th Floor 125 Old Broad Street London EC2N 1AR
Auditors	PricewaterhouseCoopers LLP Chartered accountant & Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	HSBC Bank plc 60 Queen Victoria Street London EC4N 4TR
Solicitors	Fenwick Elliott LLP Aldwych House 71-91 Aldwych London WC2B 4HN

East Leake Schools Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the Company for the year ended 31 December 2016.

Principal Activities

The principal activity of the Company is as a special purpose vehicle to provide Nottinghamshire County Council with two serviced schools and community leisure facilities.

Performance Review

The profit for the year, after taxation, amounted to £309,100 (2015: £394,232).

The profit for the year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Prior period adjustment

During the year it was identified that when the entity transitioned from UK GAAP to FRS 102 in 2015 there was a material misstatement in the 2014 opening balances. This misstatement occurred due to the timing differences used when calculating the effective interest rate adjustment on loan issue costs. The previous calculation was based on a quarterly repayment schedule whereas the correct calculation is based on semi-annual repayments which is in line with the subordinated debt repayments. The adjustment has led to the 2015 opening retained earnings increasing by £301,404 and an increase of £5,547 in 2015 profit.

Key performance indicators

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the group loan agreement.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

Michael Canham
Natalia Poupard

Dividends

Particulars of dividends paid are detailed in note 10 to the financial statements. The profit for the year will be transferred to reserves.

Financial Instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company is credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Cash Flow and Liquidity risk

Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Small Company Provisions

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

Disclosure of Information to Auditors

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditor is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 28th June 2017 and signed by order of the board by:

Infrastructure Managers Limited
Company Secretary

East Leake Schools Limited

Directors' Responsibilities Statement

Year ended 31 December 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 judgments and accounting estimates that are reasonable and prudent;
- 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; 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. 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.

The Directors' Responsibilities were approved by the board on 28 June 2017 and signed on its behalf by:

Michael Canham

Director

East Leake Schools Limited

Independent Auditors' Report to the Members of East Leake Schools Limited

Year ended 31 December 2016

Report on the Financial Statements

Our Opinion

In our opinion, East Leake Schools Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on Other Matters Prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other Matters on Which We are Required to Report by Exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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 take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an Audit of Financial Statements Involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Paul Cheshire (Senior Statutory Auditor)

For and on behalf of
PricewaterhouseCoopers LLP
Chartered accountant & Statutory Auditors
Edinburgh

28 JUNE 2017

East Leake Schools Limited

Statement of Comprehensive Income

Year ended 31 December 2016

	Note	2016 £	2015 *(restated)* £
Turnover	4	**1,153,699**	1,145,563
Cost of sales		**(663,491)**	(724,393)
Gross Profit		**490,208**	421,170
Administrative expenses		**(211,491)**	(178,759)
Operating Profit		**278,717**	242,411
Other interest receivable and similar income	7	**906,004**	948,494
Interest payable and similar expenses	8	**(685,583)**	(732,411)
Profit Before Taxation		**499,138**	458,494
Tax on profit	9	**(190,038)**	(64,262)
Profit for the Financial Year		**309,100**	394,232
Fair value movements on cash flow hedging instruments, net of tax		**(37,152)**	252,740
Total Comprehensive Income for the Year		**271,948**	646,972

All the activities of the Company are from continuing operations.

The notes on pages 11 to 22 form part of these financial statements.

East Leake Schools (Holdings) Limited

Statement of Financial Position

As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	10	**10,000**	10,000
Current assets			
Debtors: due within one year	11	**65,628**	61,913
Debtors: due after more than one year	11	**1,274,629**	1,338,994
		1,340,257	1,400,907
Creditors: amounts falling due within one year	12	**(65,628)**	(61,913)
Net current assets		**1,274,629**	1,338,994
Total assets less current liabilities		**1,284,629**	1,348,994
Creditors: amounts falling due after more than one year	13	**(1,274,629)**	(1,338,994)
Net assets		**10,000**	10,000
Capital and reserves			
Called up share capital	14	**10,000**	10,000
Retained earnings	15	–	–
Shareholders' funds		**10,000**	10,000

These financial statements were approved by the board of directors and authorised for issue on 28 JUNE 2017 and are signed on behalf of the board by:

Michael Canham
Director

Company registration number: 04261312

The notes on pages 11 to 15 form part of these financial statements.

East Leake Schools Limited

Statement of Changes in Equity

Year ended 31 December 2016

		Called up share capital	Hedging reserve	Retained Earnings *(restated)*	Total
		£	£	£	£
At 1 January 2015		10,000	(1,597,531)	1,455,703	(131,828)
Profit for the year				394,232	394,232
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		–	252,740	–	252,740
Total Comprehensive Income for the Year		–	252,740	394,232	646,972
Dividends paid and payable	10	–	–	(243,314)	(243,314)
Total Investments by and Distributions to Owners		–	–	(243,314)	(243,314)
At 31 December 2015		10,000	(1,344,791)	1,608,762	**273,971**
Profit for the year				309,100	**309,100**
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		–	(37,152)	–	**(37,152)**
Total Comprehensive Income for the Year		–	(37,152)	309,100	**271,948**
Dividends paid and payable	10	–	–	(123,552)	**(123,552)**
Total Investments by and Distributions to Owners		–	–	(123,552)	**(123,552)**
At 31 December 2016		10,000	(1,381,943)	1,794,310	**422,367**

Included in the fair value movement on cash flow hedging instruments is £379,863 (2015: £413,136) that was recycled through Interest Payable in the statement of comprehensive income.

The notes on pages 11 to 22 form part of these financial statements.

1. Statement of compliance

The individual financial statements of East Leake Schools Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. General information

East Leake Schools Limited ('the Company') is incorporated and domiciled in the UK. The address of its registered office is c/o NIBC Infrastructure Partners, 11th Floor, EC2N 1AR.

The principal activity of the Company is as a special purpose vehicle to provide Nottinghamshire County Council with two serviced schools and community leisure facilities.

The Company's functional and presentation currency is the pound sterling.

3. Accounting policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

(b) Disclosure exemptions

The entity satisfies the criteria of being a small company as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) No cash flow statement has been presented for the Company.

The Company is wholly owned by East Leake Schools Holdings Limited and has taken advantage of 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.

3. Accounting policies *(continued)*

(c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

i) Hedge accounting and consideration of the fair value of derivative financial instruments

The Company uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Company fair values its derivative financial instruments and records the fair value of those instruments on its Statement of Financial Position. No market prices are available for these instruments and consequently the fair values are derived using financial models developed by the shareholders based on counterparty information that is independent of the Company, but use observable market data in respect of interest rates as an input to valuing those derivative financial instruments. There is also a judgement on whether an economic hedge relationship exists in order to achieve hedge accounting. Appropriate documentation has been prepared detailing the economic relationship between the hedging instrument and the underlying loan being hedged.

ii) Income taxation

Current taxation
The taxation charge or credit arising on profit before taxation and in respect of gains or losses recognised through other comprehensive income reflect the tax rates in effect or substantially enacted at the balance sheet date as appropriate. The determination of appropriate provisions for taxation requires the Directors to take into account anticipated decisions of HM Revenue and Customs which inevitably requires the Directors to use judgements as to the appropriate estimate of taxation provisions.

Deferred taxation
Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Judgements are required to be made as to the calculation and identification of timing differences and in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgement requires the Directors to consider forecast information over a long time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

3. Accounting policies *(continued)*

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the statement of financial position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

ii) Accounting for service concession arrangements

Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract.

(d) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI (Private Finance Initiative) asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

3. Accounting policies *(continued)*

(e) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These 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 recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the statement of comprehensive income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(f) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

(g) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

(h) Hedge accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). The Company has also entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its principal activity (RPI swaps). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the income statement in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

3. Accounting policies *(continued)*

(i) Cash and cash equivalents

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

(j) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

(k) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(l) Hedge Accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps").

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

4. Turnover

Turnover arises from:

	2016	2015
	£	£
Services	**1,153,699**	1,145,563

4. Turnover *(continued)*

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Auditors' remuneration

	2016	2015
	£	£
Fees payable for the audit of the financial statements	**8,730**	8,670

Included in the fee above is £2,000 (2015: £2,000) for the audit of the immediate parent entity East Leake Schools Holdings Limited.

6. Particulars of employees and directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2015: nil). The Directors did not receive any remuneration from the Company during the year (2015: £nil).

7. Other interest receivable and similar income

	2016	2015
	£	£
Interest on cash and cash equivalents	**3,286**	2,445
Interest received on finance debtor	**902,718**	946,049
	906,004	948,494

8. Interest payable and similar expenses

	2016	2015
	£	£
Interest on bank loans and overdrafts	**498,084**	541,479
Interest due to Group undertakings	**166,275**	173,614
Other interest payable and similar charges	**21,224**	17,318
	685,583	732,411

9. Tax on profit

Major components of tax expense

	2016	2015 *(restated)*
	£	£
Current tax:		
UK current tax expense	**211,113**	222,351
Adjustments in respect of prior periods	**6,326**	3,767
Total current tax	**217,439**	226,118

9. Tax on profit *(continued)*

	2016	2015 *(restated)*
	£	£
Deferred tax:		
Origination and reversal of timing differences	**(27,401)**	(161,856)
Tax on profit	**190,038**	64,262

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016	2015 *(restated)*
	£	£
Profit before taxation	**499,138**	458,494
Profit by rate of tax	**99,828**	92,829
Adjustment to tax charge in respect of prior periods	**56,940**	262
Effect of expenses not deductible for tax purposes	**73,946**	62,912
Tax rate changes	**(40,676)**	(91,741)
Tax on profit	**190,038**	64,262

Factors that may affect future tax expense

During the year, as a result of the change to the future UK main corporation tax rate from 18% to 17% that was substantively enacted on 6 September 2016 and that will be effective from 1 April 2020, the relevant deferred tax balances have been re-measured. This change has reduced the deferred tax liability at the Statement of Financial Position date by £16,400.

10. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2016	2015
	£	£
Interim dividend of £12.36 (2015: £24.33) per ordinary share.	**123,552**	243,314

11. Debtors

Debtors falling due within one year are as follows:

	2016	2015
	£	£
Prepayments and accrued income	**41,664**	40,795
Finance debtor	**637,482**	592,292
	679,146	633,087

11. Debtors *(continued)*

Debtors falling due after one year are as follows:

	2016	2015
	£	£
Deferred tax asset	**283,048**	295,198
Finance debtor	**10,350,678**	10,988,683
	10,633,726	11,283,881

The movement in the finance debtor is analysed as follows:

	2016	2015
	£	£
At beginning of year	**11,580,975**	12,098,175
Additions	**62,023**	85,597
Repayments	**(654,838)**	(602,797)
At end of year	**10,988,160**	11,580,975

12. Creditors: amounts falling due within one year

	2016	2015 *(restated)*
	£	£
Bank loans and overdrafts	**630,180**	641,033
Trade creditors	**25,691**	25,166
Amounts owed to group undertakings	**65,628**	61,913
Accruals and deferred income	**1,131,990**	947,648
Corporation tax	**127,657**	186,127
Social security and other taxes	**91,655**	54,390
	2,072,801	1,916,277

Amounts owed to Group undertakings consists of subordinated loan notes.

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

	2016	2015 *(restated)*
	£	£
Bank loans and overdrafts	**6,328,799**	6,949,430
Amounts owed to group undertakings	**1,274,629**	1,339,786
Derivative financial liability	**1,664,991**	1,639,989
	9,268,419	9,929,205

13. Creditors: amounts falling due after more than one year *(continued)*

Amounts owed to Group undertakings

The subordinated loan notes are to mature in full on 30 June 2027 and are repayable in semi-annual instalments provided certain conditions are met and relevant consents are given. In addition the Company may redeem all or part of the loan notes at anytime subject to the same conditions and consents as for regular repayments. The loan notes are unsecured and bear interest at 12% and interest is payable semi-annually.

Bank loan

There is one term loan facility drawn down at 31 December 2011. The tenure of the Term Loan from NIBC Bank NV is for 23.5 years maturing 1 February 2026 and repayable in 47 semi-annual instalments commencing 30 June 2003. Interest charged on amounts drawn under the facility is based on the floating LIBOR rate. The term loan facility has been syndicated to a consortium of banks. Amounts shown within creditors above are net of issue costs of £104,541 (2015: £124,350).

All amounts drawn under the facilities are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the Company's undertakings and assets.

14. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016	2015
	£	£
Included in debtors (note 11)	**283,048**	295,198
Included in provisions (note 15)	**(754,954)**	(782,355)
	(471,906)	(487,157)

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016	2015
	£	£
Accelerated capital allowances	**(613,447)**	(674,629)
Short term timing differences	**(141,507)**	(107,726)
Derivative financial instruments	**283,048**	295,198
	(471,906)	(487,157)

The net deferred tax liability expected to reverse in 2017 is £37,456. This primarily relates to the reversal of timing differences on capital allowances offset by expected utilisation of tax losses and short term timing differences.

	2016
	£
Opening balance	(487,157)
Movement through the profit or loss	27,401
Movement through other comprehensive income	(12,150)
Closing balance	**(471,906)**

15. Provisions

	Total
	£
At 1 January 2016 (as restated)	**782,355**
Deferred tax	**(27,401)**
At 31 December 2016	**754,954**

16. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2016	2015 *(restated)*
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**10,988,160**	11,580,975
Financial liabilities		
Derivative financial liabilities measured at fair value through profit or loss	**(1,664,991)**	(1,639,989)
Financial liabilities measured at amortised cost	**(8,129,067)**	(8,805,899)

The fair values of the interest rate swap have been calculated by discounting the fixed cash flows at forecasted forward interest rates over the term of the financial instrument. The bank borrowing and finance debtor are both held at amortised cost.

Hedge accounting

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates. The Company's use of derivative financial instruments is described below.

Interest rate swaps
The Company has entered into interest rate swaps with third parties for the same notional amount as all of the Company's variable rate borrowings with banks which has the commercial effect of swapping the variable rate interest coupon on those loans for a fixed rate coupon. The bank loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements. The interest rate swaps were entered into on 18 April 2002 and expire on 30 June 2026.

The Directors believe that the hedging relationship between the interest rate swaps and related variable rate bank loans meet the criteria set out in FRS 102 section 12.18 and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

Carrying value of all derivative financial instruments All of the Company's derivative financial instruments are carried at fair value. The net carrying value of all derivative financial instruments at 31 December 2016 amounted to net liabilities of £1,664,991 (2015: £1,639,989) comprising solely of interest rate swaps. All of the movements during the year in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a debit of £25,002 (2015: credit of £356,925).

17. Prior period errors

During the year it was identified that when the entity transition from UK GAAP to FRS 102 in 2015 there was a material misstatement in the 2014 opening balances. This misstatement occurred due to the timing differences used when calculating the effective interest rate adjustment on loan issue costs. The previous calculation was based on a quarterly repayment schedule whereas the correct calculation is based on semi-annual repayments which is in line with the subordinated debt repayments. The adjustment has led to the 2015 opening retained earnings increasing by £301,404 and an increase of £5,547 in 2015 profit.

18. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No	**£**	No	£
Ordinary shares of £1 each	**10,000**	**10,000**	10,000	10,000

19. Reserves

Hedging reserve - This reserve records fair value movements on cash flow hedging instruments.

Profit and loss account - This reserve records retained earnings and accumulated losses.

20. Related party transactions

The Company is wholly owned by East Leake Schools Holdings Limited and has taken advantage of 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.

21. Controlling party

The immediate parent undertaking is East Leake Schools Holdings Limited.

The Company is a wholly owned subsidiary of East Leake Schools (Holdings) Limited, a company which is incorporated in England and Wales. In the opinion of the Directors, the ultimate controlling party is NIBC European Infrastructure Fund 1 C.V.