

Linteum (Uttlesford) Holdings Limited
Annual report and financial statements
for the year ended 31 December 2017

Registered number: 04345846



Linteum (Uttlesford) Holdings Limited

Contents

	Page
Company information	1
Strategic report for the year ended 31 December 2017	2
Directors' report for the year ended 31 December 2017	4
Independent Auditor's Report to the Members of Linteum (Uttlesford) Holdings Limited	6
Consolidated Statement of Comprehensive Income for the year ended 31 December 2017	9
Consolidated Statement of Financial Position as at 31 December 2017	10
Company Statement of Financial Position as at 31 December 2017	11
Consolidated Statement of Changes in Equity for the year ended 31 December 2017	12
Company Statement of Changes in Equity for the year ended 31 December 2017	13
Consolidated Cash Flow Statement	14
Notes to the Financial Statements	15

Linteum (Uttlesford) Holdings Limited

Company Information

Directors

I B Balfour

N Covington (resigned 30 September 2017)

K J Simpson (appointed 30 September 2017)

Company secretary

Pario Limited

Registered number

04345846

Registered office

Unit 18 Riversway Business Village

Navigation Way

Ashton-On-Ribble

Preston

PR2 2YP

Auditors

BDO LLP

3 Hardman Street

Spinningfields

Manchester

M3 3AT

Linteum (Uttlesford) Holdings Limited

Strategic report for the year ended 31 December 2017

The directors present the strategic report of the group and company of Linteum (Uttlesford) Holdings Limited for the year ended 31 December 2017.

Principal activities and future developments

The principal activity of the company is that it has been established for the single purpose of holding shares in a subsidiary single purpose company, Linteum (Uttlesford) Limited.

There are no anticipated future developments for this group other than the fulfilment of the Private Finance Initiative contract.

Review of the business

The company acts as a holding company for Linteum (Uttlesford) Limited. Linteum (Uttlesford) Limited is a wholly owned subsidiary of the company and is principally involved in the construction and management of leisure facilities for Uttlesford District Council under a Private Finance Initiative contract.

Construction is complete and the contract is in a fully operational state.

Revenue is received in the form of a Unitary Charge payment. This is calculated from a base amount indexed each year and charged on a monthly basis. This continues to be charged and paid in line with the contract and financial model. For the year to 31 December 2017 Unitary Charge of £1,158,342 (2016: £780,606) was charged and received.

The costs are treated in a similar way starting with a base cost which is indexed on an annual basis and charged on a monthly basis. All costs continue to be in line with the budget and financial model.

The senior loan and subordinated loan continue to be serviced in line with the hedging instrument in place and the financial model. The model is up-dated on a semi-annual basis and approved by Senior Lenders. The total debt at 31 December 2017 of £4,668,708 (2016: £4,863,229) against cash in hand of £817,628 (2016: £895,014) gives a net debt position of £3,851,080 (2016: £3,968,215).

Gross margin at 31 December 2017 is 38% (2016: 39%).

The forthcoming year is expected to bring the continued delivery of high quality services with business performance meeting shareholder expectations.

Given the straightforward nature of the business, the group's directors are of the opinion that analysis using KPIs is not necessary for the understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risks and uncertainties are noted below:

Financial risk management

The group's operations expose it to a variety of financial risks that include interest rate risk, price risk, cash flow risk, credit risk and liquidity risk.

Linteum (Uttlesford) Holdings Limited

Strategic report for the year ended 31 December 2017 (continued)

Principal risks and uncertainties (continued)

Interest rate risk

The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by using hedging instruments to manage interest rate risk. The group has a policy of maintaining 100 per cent of its senior and subordinated debt (2016: 100 per cent) at a fixed rate throughout the life of the concession.

The risk management programme is set by the board of directors and implemented by the management services company finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk.

Price risk

The group's price risk is managed through a thirty three year project agreement with Uttlesford District Council providing for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with Uttlesford District Council. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Cash flow and credit risk

The group receives availability and facilities management cash flows which are subject to non-availability and performance deductions. Cash flows are secured under a long-term contract with Uttlesford District Council, whose liabilities are effectively underwritten by the UK Government. Variability in cash flows relating to senior debt interest payments is mitigated through the use of an interest rate swap contract.

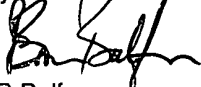
Liquidity risk

The group manages its liquidity risk by ensuring it has sufficient borrowing facilities to meet its short term financial commitments. Liquidity risk is minimised through committed revenue streams which are profiled in line with the project agreement to meet the group's financial obligations.

Uttlesford District Council is the sole client of the group, but the directors consider that no significant risk arises from having such a small client base, as should Uttlesford District Council cease to exist, under the provisions of the contract, the UK Government must secure that all its liabilities are dealt with.

Performance risk under the project agreement and related contracts is passed down to the service providers under the terms of their sub-contracts. The obligations of the sub-contractors are underwritten by parent company guarantees.

By order of the Board



I B Balfour
Director

20 June 2018

Linteum (Uttlesford) Holdings Limited

Directors' report for the year ended 31 December 2017

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

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, 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 group and company 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 group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the financial statements and then apply them consistently;
- 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.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Directors

The directors of the company during the year ended 31 December 2017 and up to the date of signing of the financial statements were:

I B Balfour

N Covington (resigned 30 September 2017)

K J Simpson (appointed 30 September 2017)

Going concern

The directors acknowledge that the group and subsidiary company, Linteum (Uttlesford) Limited has net liabilities, however this is as a result of an interest rate swap, which is significantly out of the money, being brought onto the balance sheet in line with current accounting standards. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the group's ability to meet its liabilities as they fall due. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the group will continue to operate within the long term facility currently agreed.

Linteum (Uttlesford) Holdings Limited

Directors' report for the year ended 31 December 2017 (continued)

Going concern (continued)

In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the group to meet its liabilities as they fall due for payment. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Dividends

The directors declared and paid a dividend of £150,411 in respect of the period (2016: £Nil).

The directors have not recommended the payment of any further dividends.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved under Section 418 of the Companies Act 2006 has confirmed that:

- (a) so far as that director is aware, there is no relevant audit information of which the group and the group's auditors are unaware; and
- (b) that director has taken all the steps that they ought to have taken as a director in order to be aware of any relevant audit information and to establish that the company and the company's auditors are aware of that information.

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

Auditors

The auditors, BDO LLP have been re-appointed in accordance with the Companies Act 2006.

The report was approved by the board on *20 June 2018* and signed on its behalf.



I B Balfour
Director

20 June 2018



Linteum (Uttlesford) Holdings Limited

Independent Auditor's Report to the Members of Linteum (Uttlesford) Holdings Limited

Opinion

We have audited the financial statements of Linteum (Uttlesford) Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, 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 Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 Group or the Parent 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.

Linteum (Uttlesford) Holdings Limited

Independent Auditor's Report to the Members of Linteum (Uttlesford) Holdings Limited (continued)

Other information (continued)

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Linteum (Uttlesford) Holdings Limited

Independent Auditor's Report to the Members of Linteum (Uttlesford) Holdings Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester

Date: *25/06/2018*.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Linteum (Uttlesford) Holdings Limited

Consolidated Statement of Comprehensive Income for the period ended 31 December 2017

		Year ended 31 December 2017	Period ended 31 December 2016
	Note	£	£
Turnover	1	614,044	357,815
Administrative expenses		(378,365)	(216,580)
Operating profit	3	235,679	141,235
Finance income/investment income	4	364,486	273,100
Finance costs	5	(367,715)	(289,853)
Profit on ordinary activities before taxation		232,450	124,482
Tax on profit on ordinary activities	6	(51,505)	(2,675)
Profit on ordinary activities after taxation and profit for the year/period	12	180,945	121,807
Other comprehensive income			
Fair value gains/(losses) on interest rate swaps	13	273,578	(13,556)
Deferred tax arising on fair value (gains)/losses	13	(46,508)	(12,132)
Total comprehensive income for the year/period		408,015	96,119

All results above relate to continuing activities.

The group has been engaged solely in continuing activities in a single class of business within the United Kingdom.

The notes on pages 15 to 33 form part of these financial statements.

Linteum (Uttlesford) Holdings Limited

Consolidated Statement of financial position as at 31 December 2017

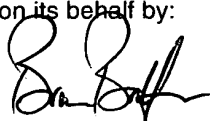
	Note	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Current assets			
Debtors: amounts falling due after more than one year	8	4,574,951	4,729,754
Debtors: amounts falling due within one year	8	407,734	262,389
Cash at bank and in hand		817,628	895,014
		5,800,313	5,887,157
Creditors: amounts falling due within one year	9	(493,687)	(352,394)
Net current assets		5,306,626	5,534,763
Creditors: amounts falling due after more than one year	9	(5,715,599)	(6,201,340)
Net (liabilities)		(408,973)	(666,577)
Capital and Reserves			
Called up share capital	11	50,000	50,000
Profit and loss reserve	12	523,453	492,919
Cash flow hedge reserve	13	(982,426)	(1,209,496)
Total shareholder's deficit		(408,973)	(666,577)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 15 to 33 form part of these financial statements.

The financial statements were approved by the board and authorised for issue on 2 June 2018 and were signed on its behalf by:

I B Balfour
Director



Company Registration No: 04345846

Linteum (Uttlesford) Holdings Limited

Company Statement of financial position as at 31 December 2017


Company Registration No: 04345846

	Note	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Fixed Assets			
Investments	7	50,000	50,000
Net Assets		50,000	50,000
Capital and Reserves			
Called up share capital	11	50,000	50,000
Total shareholder's funds		50,000	50,000

The notes on pages 15 to 33 form part of these financial statements.

The profit for the company for the year to December 2017 was £150,411 (2016: £Nil).

The financial statements were approved by the board and authorised for issue on 20 June 2018 and were signed on its behalf by:


I B Balfour
Director

Company Registration No: 04345846

Linteum (Uttlesford) Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2017

	Note	Share capital	Retained earnings	Cash flow hedge reserve	Total equity
		£	£	£	£
Balance at 1 April 2016		50,000	371,112	(1,183,808)	(762,696)
Profit for the year		-	121,807	-	121,807
Other comprehensive income		-	-	(13,556)	(13,556)
Change in fair value of interest					
Deferred taxation arising on interest rate swap		-	-	(12,132)	(12,132)
Total comprehensive income for the year		-	121,807	(25,688)	96,119
Transactions with owners in their capacity as owners:					
Dividends paid	17	-	-	-	-
Total Transactions with owners in their capacity as owners					
Balance at 31 December 2016		50,000	492,919	(1,209,496)	(666,577)
Profit for the year		-	180,945	-	180,945
Other comprehensive income		-	-	273,578	273,578
Change in fair value of interest					
Deferred taxation arising on interest rate swap		-	-	(46,508)	(46,508)
Total comprehensive income for the year		-	180,945	227,070	408,015
Dividends paid	17	-	(150,411)	-	(150,411)
Total Transactions with owners in their capacity as owners		-	(150,411)	-	(150,411)
Balance at 31 December 2017		50,000	523,453	(982,426)	(408,973)

The notes on pages 15 to 33 form part of these financial statements.

Linteum (Uttlesford) Holdings Limited

Company statement of changes in equity for the year ended 31 December 2017

	Note	Share capital	Profit and loss account	Total
		£	£	£
Balance at 1 April 2016		50,000	-	50,000
Profit for the period		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	-	-
Transactions with owners in their capacity as owners:				
Dividends paid	17	-	-	-
Total Transactions with owners in their capacity as owners		-	-	-
Balance at 31 March 2016		50,000	-	50,000
Profit for the year		-	150,411	150,411
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	150,411	150,411
Dividends paid	17	-	(150,411)	(150,411)
Total Transactions with owners in their capacity as owners		-	(150,411)	(150,411)
Balance at 31 December 2017		50,000	-	50,000

The notes on pages 15 to 33 form part of these financial statements.

Linteum (Uttlesford) Holdings Limited

Consolidated Cash Flow Statement for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Cash flow from operating activities			
Cash flow from operating activities	16	270,794	180,704
Taxation		(16)	-
Net cash generated from operating activities		270,778	180,704
Cash flow from financing activities			
Repayment of senior loan		(194,524)	(94,314)
Repayment of subordinated loan notes		-	-
Finance income		364,486	273,100
Finance costs		(367,715)	(289,853)
Equity dividends paid		(150,411)	-
Net Cash used in financing activities		(348,164)	(111,067)
Net (decrease)/Increase in cash and cash equivalents		(77,386)	69,637
Cash and cash equivalents at the beginning of the year/period		895,014	825,377
Cash and cash equivalents at the end of the year/period		817,628	895,014
Cash and cash equivalents consist of:			
Cash at bank and in hand		817,628	895,014
Cash and cash equivalents		817,628	895,014

The notes on pages 15 to 33 form part of these financial statements.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies

1.1 General Information

Linteum (Uttlesford) Holdings Limited ("the company") is a limited company domiciled and incorporated in England and Wales. The address of its registered office and principal place of business is Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

The financial statements are presented in pounds sterling (£), which is the functional currency of the group. The financial statements are for the year ended 31 December 2017 (2016: 9 months ended 31 December 2016).

A summary of the group's principal accounting policies, which have been applied consistently throughout the current year and preceding period is set out below:

1.2 Basis of preparation of financial statements

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group'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 in note 2.

1.3 Basis of Consolidation

The consolidated financial statements include the company and its subsidiary undertaking and are made up to 31 December 2017. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own statement of comprehensive income. The profit dealt with in the company for the financial period was £150,411 (2016: £Nil).

1.4 Exemptions

In accordance with FRS102, the company has taken advantage of the exemptions from the following disclosure requirement:

- Statement of Financial Position – reconciliation of the number of shares outstanding at the beginning and at the end of the period (FRS 102 Paragraph 4.12(a)(iv)).

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

1.5 Going Concern

The financial statements have been prepared on a going concern basis. The director's acknowledge that the group has a Shareholder's deficit of £408,973 (2016: £666,577), however this is as a result of the interest rate swap, which is significantly out of the money, being brought onto the balance sheet following the adoption of FRS 102. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the group's ability to meet its liabilities as they fall due. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the group will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the group to meet its liabilities as they fall due for payment. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.6 Turnover

Turnover arises from one class of business and arises solely within the United Kingdom.

1.7 Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Revenue from construction activity

Revenue from construction activity is recognised by reference to costs incurred in the period that are directly attributable to the construction of the asset. No attributable profit is recognised on the construction of the asset.

Facilities management services

Revenue from the provision of the facilities management services is recognised as contract activity progresses at a mark up on related costs to reflect the value of work performed. This markup is calculated as total facilities management income receivable over the concession, less all service costs and other operating costs payable over the concession.

Interest receivable on finance asset

Revenue in relation to the finance asset is recognised as finance income at a property specific rate of 7.97% per annum starting from when the facilities becomes operational.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

1.8 Finance costs

Debt issue costs are amortised in the profit and loss account as finance costs over the term of the debt at a constant rate on the carrying value of debt.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

On completion of the construction phase, net finance costs, including interest payable on bank loans, are expensed to the profit and loss account during the operational phase of the project using the effective interest method.

1.9 Taxation

The tax charge for the year comprises of current and deferred tax.

Current or deferred tax is recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.10 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.11 Financial asset – contract debtor

As a Private Finance Initiative (PFI) contract, once the design and construction phase is completed, and certified as such, the contract will enter the operational phase. During the operational phase, the amounts receivable are treated as a long term contract debtor with a constant amount of the planned net revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the contract debtor is expected to be fully repaid. The remainder of the PFI unitary charge income is included in turnover in accordance with FRS 102. The company recognises income in respect of services it provides as it fulfils its contractual obligations in respect of those services.

1.12 Major maintenance replacement

Income is deferred to future periods, as described above in Financial asset – contract debtor accounting policy, to cover the future major maintenance expenditure, in order to match the element of income with the costs to which it relates. The turnover and costs of sale are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

1.13 Capital instruments

Share capital is included in shareholder's funds. Debt instruments, which contain an obligation to repay, are classified as liabilities. These liabilities are recognised as amortised cost net of any transaction costs. Interest is calculated using the effective interest rate method. Finance costs calculated in accordance with this policy are recognised in the statement of comprehensive income.

1.14 Financial Instruments

The company has applied the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instrument Issues" of FRS102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company has a legally

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.15 Trade Debtors

Trade Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

1.16 Trade Creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

1.17 Capital Instruments

Share capital is included in shareholder's funds.

1.18 Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments 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 all of its liabilities.

1.19 Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

1.20 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the statement of comprehensive income unless hedge accounting is applied and the hedge is a cash flow hedge.

To qualify for hedge accounting, the company documents the hedged item, the hedging instrument and the hedging relationship between them and the causes of hedge ineffectiveness.

The company elects to adopt hedge accounting for interest rate swaps where:

- The interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- The hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

1.20 Derivatives (continued)

that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and

- The change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

1.21 Cash flow hedge – hedge of variable interest rate risk

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in profit or loss in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to profit or loss when the variable rate interest is recognised in profit or loss.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the company documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to profit or loss, either when the variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

1.22 Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

1.23 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2 Judgments in applying accounting policies and key sources of estimation uncertainty

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. Management are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

2 Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Critical accounting estimates and assumptions (continued)

The company makes judgements on the recoverability of the amounts recoverable on long term contracts, based on the receipt of the unitary fee by its subsidiary company, Linteum (Uttlesford) Limited, in accordance with the contractual payment mechanisms contained in the project agreement with its client, Uttlesford District Council.

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 subsidiary company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires an estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.
- The effective interest rate on senior debt instruments was calculated and is not deemed to be materially different to the interest rate applied in the financial statements and as such no adjustment has been made to the interest charge in the financial statements. This will continue to be monitored.

3 Operating profit

The average number of employees and directors during the year was 2 (2016: 2). No remuneration was paid directly by the group to the directors in respect of their services to the company (2016: £Nil).

The amounts paid by the company relating to the services of I B Balfour, N Covington and K J Simpson totalled £40,958 (2016: £29,952) and reflect the director's services fees charged to the company by the shareholder. None of the directors received any defined benefit or defined contribution pension scheme contributions from the company.

The amount paid to the IPS was £76,465 (2016: £59,433), this includes £58,066 for National Non-Domestic Rates (2016: £51,484). The amount paid for lifecycle was £133,746 (2016: £39,320) and Management Service Agreement Fee for the year to December 2017 amounted to £54,535 (2016: £33,958).

The auditor's remuneration in respect of the audit of the company's financial statements was borne by the subsidiary, Linteum (Uttlesford) Limited and not re-charged.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

4 Finance income/investment income

	Year ended	Period ended
	31 December	31 December
	2017	2016
	£	£
Finance debtor imputed interest	362,714	273,068
Bank interest receivable	272	32
Bank compensation	1,500	-
	364,486	273,100

5 Finance costs

	Year ended	Period ended
	31 December	31 December
	2017	2016
	£	£
Interest and fees payable on bank loans	289,058	228,103
Interest on amounts due to group undertakings	78,657	61,746
Bank and other charges	-	4
	367,715	289,853

Bank and other charges principally represent annual commitment fees on bank accounts and bank agency fees.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

6 Tax on profit on ordinary activities

(a) Analysis of tax charge for the year/period

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Current tax:		
UK corporation tax on profits for the year/period	6,104	6
Adjustment in respect of previous periods	-	10
	6,104	16
Deferred tax:		
Origination and reversal of timing differences	45,403	(7,433)
Adjustments in respect of prior periods	(2)	-
Effect of tax rate change on opening balance	-	10,092
Total deferred tax charge	45,501	2,659
Tax on profit on ordinary activities	51,505	2,675

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

6 Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the period is lower than (2016: lower than) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	Year ended 31 December 2017	Period ended 31 December 2016
	£	£
Profit on ordinary activities before taxation	232,450	124,482
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	44,739	24,896
Effects of:		
Fixed asset timing differences	(4,023)	(15,658)
Expenses not deductible for tax purposes	18,301	-
Income not taxable for tax purposes	(754)	-
Adjustments to brought forward values	51,900	-
Losses eliminated	-	(2,332)
Adjustments to tax charge in respect of previous period	-	10
Adjustments to tax charge in respect of previous period-deferred tax	(2)	-
Deferred tax (charged)/credited directly to equity	(46,508)	-
Adjust closing deferred tax to average rate of 19.25%	9,903	-
Adjust opening deferred tax to average rate of 19.25%	(22,049)	-
Amortisation of finance debtor	-	(4,241)
Rounding	(2)	-
Tax for the year (note 6(a))	51,505	2,675

(c) Factors affecting future tax charges

At 31 December 2017 there were, subject to approval by HM Revenue and Customs, £Nil (2016: £275,979) of trade losses available to carry forward which will reduce the company's future liabilities to tax.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Fixed asset investments

	Investments in subsidiary companies
	£
Cost or Valuation	
At 1 January 2017 and 31 December 2017	50,000
Net Book Value	
At 31 December 2017	50,000
At 31 December 2016	50,000

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Linteum (Uttlesford) Limited	Ordinary	100%

The company holds 100% of the Ordinary share capital of Linteum (Uttlesford) Limited. Linteum (Uttlesford) Limited is a company incorporated in England and Wales and is principally involved in the construction and management of leisure facilities under a PFI agreement. All the activities of the subsidiary company are carried out in England. The registered address of Linteum (Uttlesford) Limited is Unit 18, Riverside Business Village, Navigation Way, Preston, PR2 2YP.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Debtors

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Amounts falling due within one year:		
Contract debtor	108,389	140,580
Trade debtors	107,646	16,201
Prepayments and accrued income	191,699	105,608
	407,734	262,389
Amounts falling due after more than one year:		
Contract debtor	4,500,017	4,562,911
Deferred tax asset	74,934	166,843
	4,574,951	4,729,754

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

9 Creditors

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Amounts falling due within one year:		
Bank loans (note 10)	211,683	194,042
Trade payables	141,387	22,823
Corporation Tax	6,104	16
VAT	23,070	23,226
Amounts owed to Shareholders	21,702	19,313
Accruals and deferred income	89,741	92,974
	493,687	352,394
Amounts falling due after more than one year:		
Bank loans (note 10)	3,849,701	4,061,864
Subordinated loan (note 10)	607,323	607,323
Fair values of derivative contracts (note 15)	1,183,646	1,457,224
Other creditors	74,929	74,929
	5,715,599	6,201,340

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Loans and borrowings

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Bank loans	4,061,385	4,255,906
Subordinated loan	607,323	607,323
	4,668,708	4,863,229

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Maturity of debt		
Within one year	211,683	194,042
Between one and two years	223,443	211,683
Between two and five years	776,169	723,249
In more than five years	3,457,413	3,734,255
	4,668,708	4,863,229

Amounts not wholly repayable within 5 years which are repayable by instalments include a senior loan of £2,850,090 (2016: £3,126,933) provided by NIBC Bank NV. The senior loan has a floating rate of interest plus a margin. The floating interest rate has been swapped for a fixed rate of 5.59%. The senior debt repayments and interest are payable on a semi-annual basis with payments being due each March and September. The final loan repayment date is 29 March 2030.

Also included are subordinated loan notes of £607,323 (2016: £607,323) provided by the shareholder of the company. The subordinated debt interest is payable on a semi-annual basis with payments being due each March and September. Interest is payable at a rate of 12.5% per annum. The subordinated debt will be repayable in full in 2035.

The senior loan is secured by fixed and floating charges over the assets of the company.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

11 Called up share capital

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Allotted and fully paid		
5,000 (2016: 5,000) Ordinary 'A' shares of £1 each	25,000	25,000
5,000 (2016: 5,000) Ordinary 'B' shares of £1 each	25,000	25,000
	50,000	50,000

All shares are ordinary shares with voting rights as one share per one vote. Dividends are divided equally in proportion of the shareholding.

12 Reserves

Group	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Profit and loss at 1 January/1 April	492,919	371,112
Profit for the financial year/period	180,945	79,261
Equity dividend	(150,411)	-
Profit and loss at 31 December 2017 (31 December 2016)	523,453	450,373

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Reserves, continued

Company

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Profit and loss at 1 January/1 April	-	-
Profit for the financial year/period	150,411	-
Equity dividend	(150,411)	-
Profit and loss at 31 December 2017 (31 December 2016)	-	-

Reserves of the group represent the following:

Retained Earnings

Cumulative profit and loss net of distributions to owners.

13 Hedging reserve

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
At 1 January/1 April	(1,209,496)	(1,183,808)
Change in fair value of interest rate swap	273,578	(13,556)
Deferred tax arising on interest rate swap	(46,508)	(12,132)
At 31 December 2017 (31 December 2016)	(982,426)	(1,209,496)

Reserves of the group represent the following:

Cash flow hedge reserve

Gains and losses arising on fixed to floating interest swaps which have been designated as hedges for hedge accounting purposes.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

14 Deferred Tax

Tax included in statement of comprehensive income

	Year ended 31 December	Period ended 31 December
	2017 £	2016 £
Origination and reversal of timing differences	46,508	12,132
Tax included in statement of comprehensive income	46,508	12,132
Provision for Deferred Tax:		
Accelerated capital allowances	159,905	160,754
Short term timing differences	(234,839)	(280,680)
Tax losses carried forward and other deductions	-	(46,917)
Total deferred tax	(74,934)	(166,843)
Movement in provision:		
Provision at start of the period	(166,843)	(181,650)
Deferred tax charged in the Profit and loss account for the period	45,401	2,675
Deferred tax charged in the statement of comprehensive income for the period	46,508	12,132
Provision at the end of the period	(74,934)	(166,843)

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Financial Instruments

Interest rate swaps

The fair values of the group's derivatives are as follows:

	Principal 31 December 2017 £	31 December 2016 £	Fair Value 31 December 2017 £	31 December 2016 £
Derivative financial liabilities measured at fair value in an effective hedging relationship	4,069,249	4,266,259	(1,183,646)	(1,457,224)

The group uses derivatives to manage the exposure to interest rate movements on its senior debt. The fair values are based on market values of equivalent instruments at the balance sheet date.

The fair values of interest rate swaps are determined using the forward curve for 3 Month GBP LIBOR.

All swaps meet the conditions for hedge accounting, as set out in the accounting policies in Note 1.

The Group's and Company's financial instruments may be analysed as follows:

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Financial Assets		
Financial assets measured at amortised cost through profit and loss	5,710,866	5,720,314
Financial Liabilities		
Financial liabilities measured at amortised cost	4,996,466	5,073,268
Financial liabilities measured at fair value through other comprehensive income	1,183,646	1,457,224

Financial assets measured at amortised cost comprise of cash and cash equivalents, trade debtors, contract debtor, amounts owed by related undertakings, accrued income and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owed to related undertakings, other creditors and accruals.

Financial liabilities measured a fair value comprise the interest rate swap.

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

16 Net cash flow from operating activities

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Operating profit	235,679	141,235
Decrease in finance receivable	95,085	149,724
(Increase) in debtors	(177,538)	(6,436)
Increase/(Decrease) in creditors	117,568	(103,819)
Net cash inflow from operating activities	270,794	180,704

17 Dividends

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Dividends paid on equity capital	150,411	-

Linteum (Uttlesford) Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

18 Related party disclosures

Related party transactions during the year consisted of long-term loan facilities and general operating costs with Aberdeen Infrastructure II Limited and are disclosed below stated net of value added tax (where applicable).

Aberdeen Infrastructure II Limited

- Charged £40,958 (2016: £29,952) in respect of director's services fees and management services. At the end of the year the subsidiary company owed £10,325 (2016: £Nil) to Aberdeen Infrastructure II Limited.
- At the end of the period £607,323 of subordinated loan notes were outstanding to Aberdeen Infrastructure II Limited (2016: £607,323).
- During the period the subsidiary company was charged interest on the subordinated loan notes to Aberdeen Infrastructure II Limited amounting to £78,657 (2016: £61,746). At the period end interest of £19,342 (2016: £19,313) was due to Aberdeen Infrastructure II Limited. These amounts are included within accruals.
- During the period the company paid dividends of £150,411 (2016: £Nil) to Aberdeen Infrastructure II Limited.

19 Ultimate parent undertaking and controlling party

The ultimate parent company is Aberdeen Infrastructure II Limited, a company registered in England and Wales. The Directors consider the ultimate controlling party to be Aberdeen Infrastructure Partners II LP, an entity registered in England and Wales.