Registration number: 04367731

D4E Mulberry Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2017

D4E Mulberry Limited

Contents

D4E Mulberry Limited

Company Information

Directors	M T Smith
	K M Hill
	N Rae
	D G Swinburn
	D Lindesay
Company secretary	Semperian Secretariat Services Limited
Registered office	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

D4E Mulberry Limited

Strategic Report for the Year Ended 31 March 2017

The directors present their strategic report for the year ended 31 March 2017.

Principal activity
The principal activity of the company is to design, construct, refurbish and to provide lifecycle maintenance and facility management services to Mulberry Girls School in the London Borough of Tower Hamlets for a period of 28 years. The partnership with the London Borough of Tower Hamlets has been procured under the government's Public Private Partnership initiative.

Results and review of business
The profit for the year is set out in the profit and loss account on page 7. The directors consider the performance of the company during the year and the financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

Principal risks and uncertainties
The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

Key performance indicators ('KPIs')
The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities as managed by the sub-contractor. For this reason, the company's directors believe that further operational key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the directors monitor compliance with debt covenant ratios as specified in the senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

Approved by the Board on 04 JUL 2017 and signed on its behalf by:

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Semperian Secretariat Services Limited
Company secretary

05 JUL 2017

D4E Mulberry Limited

Directors' Report for the Year Ended 31 March 2017

Registration number: 04367731

The directors present their report and the audited financial statements for the year ended 31 March 2017.

Future developments
No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

Dividends
No dividend was paid during the year (2016: £nil).

Financial risk management

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

Interest rate risk
The senior debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 12.

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

Liquidity risk
The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk
The company receives the majority of its revenue from London Borough Tower of Hamlets and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Major maintenance replacement risk
The company is responsible for managing the ongoing major maintenance replacement of the building and relevant equipment, but the risks associated with this activity are largely borne by the subcontractor.

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

M T Smith

C J Blundell (resigned 1 April 2017)

K M Hill

N Rae

D G Swinburn

The following director was appointed after the year end:

D Lindesay (appointed 1 April 2017)

D4E Mulberry Limited

Directors' Report for the Year Ended 31 March 2017 (continued)

Statement of directors' responsibilities
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 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

Going concern
Although the company's balance sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Disclosure of information to the auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors
The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

Approved by the Board on 04 JUL 2017 and signed on its behalf by:

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Semperian Secretariat Services Limited
Company secretary

05 JUL 2017

D4E Mulberry Limited

Independent Auditors' Report to the members of D4E Mulberry Limited

Report on the financial statements

Our opinion

In our opinion, D4E Mulberry Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Small Entities; 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 Balance Sheet as at 31 March 2017;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended; and
- 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 matter prescribed by the Companies Act 2006

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

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

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 Strategic Report and 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.

Independent Auditors' Report to the members of D4E Mulberry Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime. 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 Statement of Directors' Responsibilities 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 Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

N. Muzzlewhite

Nick Muzzlewhite (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 11/07/17

D4E Mulberry Limited

Profit and Loss Account for the Year Ended 31 March 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	1,682	1,709
Cost of sales		(1,295)	(1,304)
Gross profit		387	405
Administrative expenses		(188)	(190)
Operating profit	5	199	215
Interest receivable and similar income	6	365	377
Interest payable and similar charges	7	(355)	(383)
Profit on ordinary activities before taxation		209	209
Tax on profit on ordinary activities	8	(4)	(6)
Profit for the financial year		205	203

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 March 2017

	Note	2017 £ 000	2016 £ 000
Profit for the financial year		205	203
Other comprehensive income:			
Change in value of hedging instrument	16	(110)	(175)
Reclassifications to profit and loss	16	249	267
Deferred tax arising on unrealised movements on cash flow hedges	8	(38)	(46)
Other comprehensive income for the year, net of tax		101	46
Total comprehensive income for the year		306	249

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

D4E Mulberry Limited

Balance Sheet as at 31 March 2017

	Note	2017 £ 000	2016 £ 000
Current assets			
Debtors: Amounts falling due after more than one year	9	4,426	4,673
Debtors: Amounts falling due within one year	10	298	294
Cash at bank and in hand		1,906	1,772
		6,630	6,739
Creditors: Amounts falling due within one year	11	(695)	(780)
Total assets less current liabilities		5,935	5,959
Creditors: Amounts falling due after more than one year	11	(7,959)	(8,332)
Provisions for liabilities	13	(128)	(86)
Net liabilities		(2,152)	(2,459)
Capital and reserves			
Called up share capital	14	2	2
Cash flow hedge reserve		(1,034)	(1,135)
Profit and loss account		(1,120)	(1,326)
Total equity		(2,152)	(2,459)

The financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 related to small companies.

Approved and authorised by the Board on 4 July 2017 and signed on its behalf by:

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N Rae

Director

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

D4E Mulberry Limited

Statement of Changes in Equity for the Year Ended 31 March 2017

	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2015	2	(1,181)	(1,529)	(2,708)
Profit for the financial year	-	-	203	203
Other comprehensive income	-	46	-	46
Total comprehensive income	-	46	203	249
At 31 March 2016	2	(1,135)	(1,326)	(2,459)

	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2016	2	(1,135)	(1,325)	(2,458)
Profit for the financial year	-	-	205	205
Other comprehensive income	-	101	-	101
Total comprehensive income	-	101	205	306
At 31 March 2017	2	(1,034)	(1,120)	(2,152)

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

D4E Mulberry Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

1 General information

The principal activity of the company is to design, construct, refurbish and to provide lifecycle maintenance and facility management services to Mulberry Girls School in the London Borough of Tower Hamlets for a period of 28 years. The partnership with the London Borough of Tower Hamlets has been procured under the government's Public Private Partnership initiative.

The company is a private company limited by shares and is incorporated and domiciled in England.

The address of its registered office is:
Third Floor
Broad Quay House
Prince Street
Bristol
BS1 4DJ

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland',as applied to Small Entities, and the Companies Act 2006.

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 measured at fair value through profit or loss.

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 in note 3

Cash flow statement
In accordance with the small companies regime, no cash flow statement is required as the company qualifies as a small entity as defined in sections 382 of the Companies Act 2006.

2 Accounting policies (continued)

Going concern

Although the company's balance sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises income when it has fully fulfilled its contractual obligations. The company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Where appropriate, income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

Finance debtor and interest receivable

The company has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102. The costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within previous UK GAAP which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance 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 finance debtor is expected to be fully repaid.

Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial Instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, finance debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

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

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

2 Accounting policies (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

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

(iv) Derivatives and Hedging arrangements

Derivatives, which may include interest rate swaps and RPI swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in hedging arrangements.

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Critical accounting judgements and estimation uncertainty

Judgements, estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may subsequently differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made 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, adopted by management, in applying the company's accounting policies are described below:

Finance Debtor
The company has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. The accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See notes 9 and 10 for the carrying value of the finance debtor.

Impairment of debtors
Management makes an estimate of the likely recoverable value of trade and other debtors by considering factors including the current credit rating, the ageing profile and the historic experience of the respective debtor. See note 10 for the carrying value of the debtors.

Treatment and Measurement of derivatives
The directors have adopted a policy of cash flow hedge accounting for derivative financial instruments and have assessed that the company's interest rate swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cash flow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

The derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The company has used a third party expert to assist with valuing such instruments.

Taxation
The assessment of the tax charge may include uncertain tax positions where the tax treatment has not yet been agreed with the taxation authorities. Management make an estimate of the taxation charge for the period and the value of balances, with reference to legislation, discussions with taxation authorities, advice from taxation advisors, and the determination of similar taxation cases.

Deferred tax is recognised at tax rates that are expected to be applicable when the timing differences reverse, to the extent that such rates have been substantially enacted. Given the phased reduction in future tax rates in the UK, the deferred tax asset or liability recognised is therefore dependent upon an estimate of the timing of such reversals.

4 Turnover

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

5 Operating profit

The company had no employees, other than the directors, during the year (2016: none). The emoluments of the directors are paid by the controlling parties. The directors services to this company and to a number of fellow group companies are primarily of a non executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £102,994 (2016: £101,769) to the company in respect of these services.

The audit fee in respect of the company was £6,371 for the year (2016: £7,700).

6 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Imputed interest receivable on finance debtor	357	373
Interest income on bank deposits	8	4
	365	377

7 Interest payable and similar charges

	2017 £ 000	2016 £ 000
Interest on bank borrowings	83	92
Interest rate swap costs	249	267
Interest payable on loans from group undertakings	23	24
	355	383

8 Tax on profit on ordinary activities

(a) Tax expense included in profit or loss

	2017 £ 000	2016 £ 000
Total current income tax	-	-
Deferred taxation		
Arising from origination and reversal of timing differences	35	39
Arising from changes in tax rates and laws	(18)	(33)
Adjustment in respect of prior periods	(13)	-
Total deferred taxation	4	6
Tax on profit on ordinary activities	4	6

(b) Tax relating to items recognised in other comprehensive income or equity

	2017 £ 000	2016 £ 000
Deferred tax		
Arising from origination and reversal of timing differences	24	16
Arising from changes in tax rates and laws	14	30
Total tax expense included in other comprehensive income	38	46

(c) Reconciliation of tax charge

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2016: lower than the standard rate of corporation tax in the UK) of 20% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit on ordinary activities before taxation	209	209
Corporation tax at standard rate	42	42
Re-measurement of deferred tax - change in UK tax rates	(38)	(36)
Total tax charge	4	6

(d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9 Debtors: Amounts falling due after more than one year

	2017 £ 000	2016 £ 000
Finance debtor	4,426	4,673

10 Debtors: Amounts falling due within one year

	2017 £ 000	2016 £ 000
Trade debtors	6	9
Finance debtor	247	229
Prepayments and accrued income	45	56
	298	294

11 Creditors

	Note	2017 £ 000	2016 £ 000
Due within one year			
Senior debt	12	371	391
Subordinated debt	12	2	5
Trade creditors		45	25
Other taxation and social security		69	32
Accruals and deferred income		208	327
		695	780
Due after one year			
Senior debt	12	4,098	4,468
Subordinated debt	12	136	139
Accruals and deferred income		2,480	2,341
Derivative financial instruments	16	1,245	1,384
		7,959	8,332

12 Loans and borrowings

	2017 £ 000	2016 £ 000
Loans and borrowings falling due within one year		
Senior debt	371	391
Subordinated debt	2	5
	373	396

12 Loans and borrowings (continued)

	2017 £ 000	2016 £ 000
Loans and borrowings falling due between one and five years		
Senior debt	1,470	1,424
Subordinated debt	13	7
	1,483	1,431

	2017 £ 000	2016 £ 000
Loans and borrowings falling due after more than five years		
Senior debt	2,628	3,044
Subordinated debt	123	132
	2,751	3,176

Bank loans have been hedged via swaps entered into on 15 May 2002. Swaps resulted in 100% of the outstanding debt being converted from LIBOR to a fixed rate. The fair value of the swap liability amounted to £1,245,400 as at 31 March 2017 (2016: £1,384,106).

At the period end, bank loans totaling £4,553,369 (2016: £4,952,892) are held with Bank of Scotland plc. Bank of Scotland plc holds fixed and floating charges over the assets of D4E Mulberry (Holdings) Limited and D4E Mulberry Limited, assignation securities from D4E Mulberry (Holdings) Limited and D4E Mulberry Limited over D4E Mulberrys Limited's right, title and interest in the Mulberry Schools Project and a deed of pledge from D4E Mulberry (Holdings) Limited in respect of shares in D4E Mulberry Limited.

At the period end £138,862 (2016: £138,862) of unsecured loan notes were in issue to the company's parent company, D4E Mulberry (Holdings) Limited. The notes carry interest at a fixed rate of 16% per annum.

13 Provisions for liabilities

	Deferred tax £ 000
At 1 April 2016	86
Charge to profit or loss	4
Charge to other comprehensive income	38
At 31 March 2017	128

13 Provisions for liabilities (continued)

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2017 £ 000	2016 £ 000
Accelerated capital allowances	631	697
Tax losses recognised	(291)	(362)
Fair value of financial instruments	(212)	(249)
	128	86

14 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£ 000	No	£ 000
Ordinary shares of £1 each	1,500	2	1,500	2

15 Related party transactions

The following information is provided in accordance with FRS 102 - paragraph 33.9 as being transactions with related parties for the year:

Interest on subordinated loan notes payable to D4E Mulberry (Holdings) Limited of £138,862 (2016: £138,862) amounted to £22,907 (2016: £23,805).

As at 31 March 2017 there was no interest balance outstanding at the year end (2016: £nil).

The company incurred the following costs in respect of the provision of staff and support services:

	Type of expense	2017 £ 000	2016 £ 000
Parkwood Leisure Limited	Facilities Management	827	816
Semperian Asset Management Limited	Management Services	47	46

The net balance due to both Parkwood Leisure Limited and Semperian Asset Management Limited at the year end was £Nil (2016: £Nil).

Non executive director fees amounting to £102,993 (2016: £101,768) were paid in the period as follows.

15 Related party transactions (continued)

	2017 £ 000	2016 £ 000
Aberdeen Infrastructure (No. 3) Ltd.	**46**	46
Parkwood Consultancy Services Limited	**26**	25
Semperian PPP Investment Partner No. 2 Limited	**31**	31

16 Financial instruments

Fair value of derivatives used for hedging in the Balance Sheet

	Note	2017 £ 000	2016 £ 000
Creditors: due after one year - Fair value of swaps	11	(1,245)	(1,384)
Net Fair value of swaps in the Balance Sheet		(1,245)	(1,384)

Movement in Fair value of derivatives used for hedging

	2017 £ 000	2016 £ 000
Recognised through Other Comprehensive Income	139	92

The company has entered into an interest rate swap to receive interest at LIBOR and pay interest at a fixed 5.78%. The swap is based on an original principal amount of £12,591,887, which reduces in line with the principal amount of the company's sterling Senior loan facilities, and matures in 2027 on the same date as the Senior loans.

The instrument is used to hedge the company's exposure to interest rate movements on the Senior loan facility. The fair value of the interest rate swap is £1,245,400 (2016: £1,384,106).

Cash flows on both the loan and the interest rate swaps are paid 6 monthly until 2027. During the current year, a hedging loss of £110,000 (2016: £175,000) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and a loss of £249,000 (2016: £267,000) was reclassified from the hedge reserve to profit and loss within interest payable.

17 Parent and ultimate parent undertaking

The company's immediate parent is D4E Mulberry (Holdings) Limited, incorporated in England and Wales.

Aberdeen Infrastructure (No. 3) Limited, Semperian PPP Investment Partners No. 2 Limited and Parkwood Project Management Limited are all shareholders in D4E Mulberry (Holdings) Limited. The Directors consider there to be no ultimate controlling party.

These financial statements are available upon request from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ