

FocusEducation (Newcastle) Limited

Annual Report and Financial Statements

Registered number 04402652

31 December 2016

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Company Information

Non-Executive Directors

MA Donn
GS Jackson (resigned 20 April 2016)
KW Gillespie
LW McKenna
BP Millsom
JH Potgieter (resigned 20 April 2016)

Registered Office

3rd Floor
3-5 Charlotte Street
Manchester
M1 4HB

Registered Auditor

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

CMS Cameron McKenna LLP
Mitre House
160 Aldergate Street
London
EC1A 4DD

Banker

Bank of Scotland
11 Earl Grey Street
Edinburgh
EH3 9BN

Company Secretary

Ailison Mitchell LLB ACIS
3rd Floor
3-5 Charlotte Street
Manchester
M1 4HB

Directors' report

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

Principal activities

The principal activities of the Company are to design, finance, construct and operate certain facilities and provide non-educational services at a number of schools in Newcastle for the period until 31 March 2029 under a concession agreement with The Council of the City of Newcastle Upon Tyne. The agreement to provide new schools and associated facilities management was signed on 18 April 2002.

Results and dividend

The results for the year are set out in the profit and loss account on page 9.

The profit for the financial year is £347,000 (2015: £301,000).

The company made no dividend payment in the year (2015: £nil).

Development and performance of the business

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

Principal risks and uncertainties

As the project is in its operational phase, operational risks are monitored closely. This takes the form of representation on site through the Company's management services agent and periodic reporting by the independent Technical Assessor.

The availability fee and the majority of the costs are contractually linked to the Retail Prices Index (excluding mortgage interest) (RPIx). A relatively small proportion of total costs are not inflation-linked and a rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals have not been excessive and there are mechanisms in place within the terms of the concession agreement with The Council of the City of Newcastle Upon Tyne to share any extremes of costs or savings against budget.

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

The Company's revenues have largely been in line with expectations, with very few deductions applied for non-availability of the assets. Any such deductions are passed down to the subcontractors so there is no direct financial consequence to the company. Sustained non-availability can lead to contract termination but the company is not anywhere close to such termination trigger points. Compliance with the detailed and complex operational requirements of the PFI projects remains a key risk given the potential termination consequences. Directors receive regular reports on actual performance compared to termination trigger thresholds.

Another risk is the continued funding from the public sector counterparties to the PFI project agreements, especially as these counterparties are under pressure to make savings in their operational PFI contracts. To date, most of the pressure to make such cost savings has fallen on the sub-contractors to the project companies rather than on the project companies themselves. Furthermore, it is understood that current policy from central government is not to encourage voluntary termination of PFI projects.

Key performance indicators

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

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

Directors' report (continued)

Directors and directors' interests

The directors who held offices during the year and up to the date of this report are set out on page 1.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Political donations

There were no political donations made in the year (2015: £nil).

Financial instruments

The company's principal financial instruments comprise of a term loan and unsecured loan stock. The terms of these financial instruments are such that the profile of the debt service costs is tailored to match expected revenues arising from the concession.

The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities.

Interest rate risk

The term loan is exposed to interest rate risk.

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

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

Going concern

The directors have reviewed the net liabilities position at 31 December 2016 together with the company's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the company to continue trading for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

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

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Strategic report

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

By order of the board



A L Mitchell LLB ACIS
Company Secretary

31 MAY 2017

3rd Floor
3-5 Charlotte Street
Manchester
M1 4HB

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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors' Responsibilities were approved by the board on
signed on its behalf by:

31 MAY

2017 and

BP Milson



Director

Independent auditors' report to the members of FocusEducation (Newcastle) Limited

Report on the financial statements

Our opinion

In our opinion, FocusEducation (Newcastle) Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

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

- the balance sheet as at 31 December 2016;
- the profit and loss account and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of FocusEducation (Newcastle) Limited (continued)

Directors' remuneration

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

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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.

***Independent auditors' report to the members of FocusEducation (Newcastle) Limited
(continued)***

What an audit of financial statements involves (continued)

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



Paul Cheshire (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

31 May 2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	2	2,989	2,967
Cost of sales		(2,650)	(2,597)
Gross profit		339	400
Administrative expenses		(195)	(253)
Operating profit		144	117
Interest receivable and similar income	5	2,013	2,120
Interest payable and similar expenses	6	(1,722)	(1,859)
Profit before tax		435	378
Tax on profit	7	(88)	(77)
Profit for the financial year		347	301
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		(1,022)	(183)
Net change in fair value of cash flow hedges recycled to profit or loss		1,165	1,259
Tax on other comprehensive income	7	(76)	(248)
Other comprehensive (loss)/income for the year, net of income tax		(67)	828
Total comprehensive income for the year		414	1,129

The results for the year arise wholly from continuing operations.

The notes on pages 11 to 21 form an integral part of these Financial Statements.

Balance Sheet
as at 31 December 2016

	Note	2016 £000	2015 £000
Current assets			
Debtors (including £28,394,000 (2015: £29,737,000) due after more than one year)	8	30,030	32,244
Cash at bank and in hand		7,337	6,462
		<u>37,367</u>	<u>38,706</u>
Creditors: amounts falling due within one year	9	(11,799)	(10,573)
Total assets less current liabilities		<u>25,568</u>	<u>28,133</u>
Creditors: amounts falling due after more than one year	10	(27,189)	(29,482)
Provisions for liabilities	13	(2,133)	(2,819)
Net liabilities		<u>(3,754)</u>	<u>(4,168)</u>
Capital and reserves			
Called up share capital	14	37	37
Cash flow hedging reserve	14	(3,861)	(3,928)
Profit and loss account	14	70	(277)
Total shareholders' deficit		<u>(3,754)</u>	<u>(4,168)</u>

The notes on pages 11 to 21 form an integral part of these financial statements.

These financial statements were approved by the board of directors on **31 MAY** 2017 and were signed on its behalf by:


B. P. MILLSOM
Director

Company registered number: 04402652

Statement of Changes in Equity
For the year ended 31 December 2016

	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance at 1 January 2015	37	(4,756)	(578)	(5,297)
Total comprehensive income for the year				
Profit for the financial year	-	-	301	301
Effective portion of changes in fair value of cash flow hedges	-	(183)	-	(183)
Net change in fair value of cash flow hedges recycled to profit and loss	-	1,259	-	1,259
Income tax on other comprehensive income	-	(248)	-	(248)
Total comprehensive income for the financial year	-	828	301	1,129
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Balance at 31 December 2015	37	(3,928)	(277)	(4,168)

	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance at 1 January 2016	37	(3,928)	(277)	(4,168)
Total comprehensive income for the year				
Profit for the financial year	-	-	347	347
Effective portion of changes in fair value of cash flow hedges	-	(1,022)	-	(1,022)
Net change in fair value of cash flow hedges recycled to profit and loss	-	1,165	-	1,165
Income tax on other comprehensive income	-	(76)	-	(76)
Total comprehensive income for the financial year	-	67	347	414
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Balance at 31 December 2016	37	(3,861)	70	(3,754)

The notes on pages 11 to 21 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

FocusEducation (Newcastle) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

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

The Company's ultimate parent undertaking, Consolidated Investment Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Consolidated Investment Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

- The disclosures required by Sections 11 and 12 of FRS 102 (*Basic Financial Instruments* and *Other Financial Instrument Issues* respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.1 Measurement convention

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

1.2 Going concern

The company currently has £24,761,000 of total debt. Whilst it has net liabilities of £3,875,000 in 2016 (2015: £4,168,000), this is mainly as a result of accounting for the fair value of interest rate swap agreements, the majority of which do not crystallise as liabilities for a number of years and as such the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities.

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2029. The company has considerable financial resources together with long-term contracts with the Council. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Classification of financial instruments issued by the Company

In accordance with Section 22 of FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

1.4 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.4 Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future financing costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,741,000 at the year end (2015: £1,770,000).

The Company is also obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £3,433,000 at the year end (2015: £3,361,000)

1.5 Other financial instruments

Financial instruments not considered to be basic financial instruments (Other financial instruments)

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

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

Derivative financial instruments and hedging

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

Cash flow hedges

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

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

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.6 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Finance debtor and service income

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS102 because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the council. The Company has taken the transition exemption in FRS102 Section 35.10(i) which allows it to continue the service concession arrangement accounting policies from previous UK GAAP.

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

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

1.8 Interest

Interest receivable and Interest payable

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

Interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Interest receivable and similar income is recognised in profit or loss as it accrues.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.9 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.10 Provisions

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

2 Turnover

	2016 £000	2015 £000
<i>By activity</i>		
Operational services	2,989	2,967

The turnover and profit on ordinary activities before taxation arise entirely within the United Kingdom.

3 Auditors' remuneration:

	2016 £000	2015 £000
Amounts receivable by the auditors and their associates in respect of:		
Audit of these financial statements	10	10

Included in the fee above is £2,000 (2015: £1,000) for the audit of the parent entity FocusEducation (Newcastle) Holdings Limited.

Notes to the financial statements (continued)

4 Staff costs and Directors' remuneration

	2016 £000	2015 £000
Recharges in respect of non-executive directors' services	98	96

The company had no employees during the year (2015: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges. The Directors received no remuneration for their services during the year (2015: £nil). A payment is made by the company to their employer for the services of the non-executive directors.

5 Interest receivable and similar income

	2016 £000	2015 £000
Bank interest	54	66
Finance debtor interest receivable	1,959	2,054
	<u>2,013</u>	<u>2,120</u>

6 Interest payable and similar expenses

	2016 £000	2015 £000
To parent company	197	203
On bank loans and overdrafts	1,525	1,656
	<u>1,722</u>	<u>1,859</u>

7 Tax on profit

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	2015 £000
<i>UK corporation tax</i>		
Current tax on income for the year	88	22
	<u>88</u>	<u>22</u>
<i>Deferred tax</i>		
Tax losses	-	55
Origination and reversal of timing differences	(5)	205
Effect of changes in tax rate	81	43
	<u>164</u>	<u>325</u>
Total tax charge		

Notes to the financial statements (continued)

7 Tax on profit (continued)

	Current tax £000	2016 Deferred tax £000	Total Tax £000	Current tax £000	2015 Deferred tax £000	Total tax £000
Recognised in Profit and loss account	88	-	88	22	55	77
Recognised in other comprehensive income	-	76	76	-	248	248
Total tax	88	76	164	22	303	325

Reconciliation of effective tax rate

Tax assessed for the year is equal to (2015: equal to) the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit for the financial year	347	301
Total tax expense	88	77
Profit excluding taxation	435	378
Tax at standard rate of 20% (2015: 20.25%)	88	77
Total tax charge recognised in profit and loss account	88	77

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016 and therefore deferred tax balances have been remeasured. This change has reduced the deferred tax asset by £14,000.

Notes to the financial statements (continued)

8 Debtors

	2016 £000	2015 £000
Finance debtor	29,008	30,524
Trade debtors	18	709
Other debtors	140	71
Deferred taxation	864	940
	<u>30,030</u>	<u>32,244</u>

Debtors include a finance debtor of £27,530,000 (2015: £29,016,000) and deferred taxation of £864,000 (2015: £721,000) due after more than one year.

The net reversal of the deferred tax asset expected to occur in the next reporting year is estimated to be £193,000 (2015: £219,000) based on the anticipated recycling of cash flow hedges to profit and loss and changes in fair values of the cash flow hedging instruments.

9 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Senior loan	2,211	2,129
Trade creditors	263	148
Amount owed to group undertaking	121	117
Other taxation and social security	229	295
Corporation tax	36	22
Accruals and deferred income	8,939	7,862
	<u>11,799</u>	<u>10,573</u>

10 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Senior loan	20,966	23,060
Amounts owed to group undertaking	1,497	1,553
Other financial liabilities (see note 12)	4,726	4,869
	<u>27,189</u>	<u>29,482</u>

Notes to the financial statements (continued)

11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
Creditors falling due after more than one year		
Senior loan	20,966	23,060
Amounts owed to group undertaking	1,497	1,553
	22,463	24,613
	2016	2015
	£000	£000
Creditors falling due within one year		
Senior loan	2,211	2,129
Amounts owed to group undertaking	121	117
	2,332	2,246

Included within the Senior loan is an amount repayable after five years of £11,779,000 (2015: £14,209,000) and included within amounts owed to group undertaking are amounts repayable after five years of £1,189,000 (2015: £1,281,000) respectively.

Terms and debt repayment schedule

The total cash repayable on the loan is as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Senior loan	GBP	LIBOR plus 1.05%	2027	Quarterly	23,207	25,238
Amounts owing to parent company	GBP	12.5%	2029	Semi-annual	1,554	1,604

The senior loan is secured by a fixed charge over the whole of the property, assets and undertaking of the company, assignment of all rights to any proceeds of any insurance policies and all present and future book and other charges over all assets which have not been secured by way of a fixed charge or assignment.

The Company has entered into a swap transaction resulting in interest being charged on the senior loan at a fixed rate of 5.74% (including margin).

Amounts owing to parent company are unsecured.

Notes to the financial statements (continued)

12 Other financial liabilities

	2016 £000	2015 £000
Amounts falling due after more than one year		
Interest rate swap contract	4,726	4,869
	<u>4,726</u>	<u>4,869</u>

Derivative financial instruments measured at fair value

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

13 Provisions for liabilities

	Lifecycle Provision £000
At beginning of year	2,819
Utilised during year	(1,414)
Charge to the profit and loss for the year	728
At the end of the year	<u>2,133</u>

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

14 Capital and reserves

Called up share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
Equity: 37,000 (2015: 37,000) Ordinary shares of £1 each	37	37
	<u>37</u>	<u>37</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Profit and Loss account

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

Notes to the financial statements *(continued)*

15 Related parties

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

16 Ultimate parent company and parent company of larger group

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

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