ENTERPRISE CIVIC BUILDINGS LIMITED

Registered number 4421860

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Contents

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

Business review and principal activities

The principal activity of the Company is the finance, design and construction, refurbishment and partial operation of the Exeter Crown and County Courts PFI project under the Government's Private Finance Imitative The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year

The Company has entered into a Project Agreement with The Lord Chancellor's Department, together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain service within the Exeter Crown and County Courts PFI project for a primary term of 32 years from the date of signing of the Project Agreement

Key Performance Indicators (KPIs)

The Company has modelled the anticipated financial outcome of the Project across its full term The Company monitors actual financial performance against this anticipated performance As at 31 December 2012, the Company's performance reflects an acceptable variance to this model

The results for the year are set out in the statement of comprehensive income on page 5

Financial instruments

The Company's exposure to interest rate risk is managed through the matching of revenue contracts which are subject to similar indexation terms, as set out in note 13 to the financial statements

Position of the Company at the year end

The Company is in the operational phase of the contract and is performing to the standards of the contract

Principal risks and uncertainties

Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act, are set out in note 13 to the accounts

Dividend

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2012 (2011 £nil)

Directors

The Directors who served during the year were as follows

	Appointment Date	Resignation Date
M C Wayment		
G Quaife (alternate to M C Wayment)		
R Newton	28 March 2012	
L J Coles		15 May 2012
S A Carter		
J N E Cowdell (alternate to S A Carter)	15 May 2012	

REPORT OF THE DIRECTORS (continued)

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006 Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors

Supplier payment policy

The Company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and comply with them, to explain payment procedures to suppliers, to pay bills in accordance with any contract agreed with the supplier or as required by law, and to tell suppliers without delay when an invoice is contested and settle disputes quickly Copies of, and information about, the Code is available from The Department of Business, Enterprise and Regulatory Reform, No 1 Victoria Street, London SW1H 0ET

The amount due to the Company's trade creditors at 31 December 2012 represented 0 days (2011 9 days) average daily purchases of goods and services received from those creditors

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information This confirmation is given pursuant to Section 418(1) of the Companies Act 2006 and should be interpreted in accordance therewith

Auditors

It is the intention of the Directors to reappoint KPMG Audit Plc as the Company's auditor for the forthcoming financial year

Political and charitable contributions

The Company made no political or charitable contributions during the year (2011 £nil)

REPORT OF THE DIRECTORS (continued)

Statement of Directors' Responsibilities in Respect of the Directors' report and the financial statements

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the directors and of the auditors in relation to the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable laws

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 the affairs of the company and of the profit or loss for the period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 proper 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 its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the Board

R Newton
Director
21 May 2013

21 St Thomas Street
Bristol
BS1 6JS

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ENTERPRISE CIVIC BUILDINGS LIMITED

We have audited the financial statements of Enterprise Civic Buildings Limited for the year ended 31 December 2012 set out on pages 5 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 auditors' 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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's web-site at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements
- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

W. Meredith

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

21/5/13

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Revenue	2	**1,605**	1,546
Cost of sales		**(922)**	(745)
Gross profit		**683**	801
Administrative expenses		**(223)**	(196)
Operating profit		**460**	605
Financial income	6	**1,419**	1,443
Financial expenses	7	**(1,866)**	(2,279)
Profit/(loss) before tax	3	**13**	(231)
Tax expense	8	**(33)**	56
Loss for the year		**(20)**	(175)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(20)	(175)
Total comprehensive income attributable to:			
Owners of parent		(20)	(175)

The notes on pages 9 to 21 form part of these financial statements

All amounts arise from ordinary operations

STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

REGISTERED NUMBER 4968994

	Notes	2012 £'000	2011 £'000
Assets			
Non current assets			
Deferred tax assets	11	**1,825**	2,076
Finance receivables	13	**20,054**	20,475
		21,879	22,551
Current assets			
Finance receivables	13	**422**	394
Trade and other receivables	9	**2,795**	2,523
Current income tax asset		**-**	5
Cash and cash equivalents		**2,150**	1,722
		5,367	4,644
Total assets		**27,246**	27,195
Liabilities			
Current liabilities			
Trade and other payables	10	**629**	364
Interest bearing loans and borrowings	12	**859**	786
		1,488	1,150
Non current liabuties			
Interest bearing loans and borrowings	12	**23,875**	23,924
Deferred tax liabilities	11	**1,986**	2,204
		25,861	26,128
Total liabilities		**27,349**	27,278
Net liabilities		**(103)**	(83)
Equity			
Issued share capital	15	**3**	3
Retained earnings		**(106)**	(86)
Total equity attributable to the owners of the parent		**(103)**	(83)

The financial statements on pages 5 to 21 were approved by the Board of Directors on 21 May 2013 and were signed on its behalf by

R Newton
Director

STATEMENT OF CHANGES IN EQUITY
as at 31 December 2012

	Attributable to the owners of the parent		
	Share Capital	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**
Balance at 1 January 2011	3	89	92
Loss for the year	-	(175)	(175)
Other comprehensive income for the year	-	-	-
Total comprehensive income	-	**(175)**	**(175)**
Balance at 31 December 2011	3	(86)	(83)
Loss for the year	-	(20)	(20)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	**(20)**	**(20)**
Balance at 31 December 2012	**3**	**(106)**	**(103)**

Retained earnings
The retained earnings reserve represents profits and losses retained in previous and the current period

STATEMENT OF CASHFLOWS
for the year ended 31 December 2012

	2012 £'000	2011 £'000
Cash flows from operating activities		
Profit/(loss) before taxation	**13**	(231)
Adjustments for		
Financial income	**(1,419)**	(1,443)
Financial expense	**1,866**	2,279
Operating loss before changes in working capital and provisions	**460**	605
Decrease in finance receivables	**393**	368
Increase in trade and other receivables	**(272)**	(351)
Increase/(decrease) in trade and other payables	**(79)**	16
Cash generated from operations	**502**	638
Tax paid	**5**	-
Net cash inflows from operating activities	**507**	638
Cash flows from investing activities		
Interest received	**1,419**	1,442
Net cash intflows from investing activities	**1,419**	1,442
Cash flows from financing activities		
Interest paid	**(712)**	(1,048)
Repayment of borrowings	**(786)**	(837)
Dividends	-	-
Net cash outflows from financing activities	**(1,498)**	(1,885)
Net decrease in cash and cash equivalents	**428**	195
Cash and cash equivalents at the beginning of the year	**1,722**	1,527
Cash and cash equivalents at the end of the year	**2,150**	1,722

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Enterprise Civic Buildings Limited (the "Company") is a company incorporated in the UK

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

Notwithstanding the net liabilities of £(104,000) the Company has net current assets and considerable financial resources together with a long term contract with the Lord Chancellor's Department As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19

Adopted IFRS not yet applied

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective Unless otherwise stated, the Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group

- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (mandatory for year commencing on or after 1 July 2012) The amendments require an entity to present the items of other comprehensive that may be recycled to profit or loss in the future if certain conditions are met, separately from those that would never be recycled to profit or loss Consequently, as the Company presents items of other comprehensive income before related income tax effects the aggregated income tax amount would need to be allocated between those sections

- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2013)

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014)

- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures (mandatory for year commencing on or after 1 January 2014)

- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014)

- IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2013)

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Adopted IFRS not yet applied (continued)

- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014)

- Annual Improvements to IFRS 2009-2011 cycle (mandatory for year commencing on or after 1 January 2013)

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014)

- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014)

- IFRS 9 Financial Instruments (mandatory for year commencing on or after 1 January 2015)

Measurement convention

The financial statements are prepared on the historical cost basis except that the derivative financial instruments are classified as fair value through the profit or loss

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Finance receivable (continued)

services contracts accounting policy below Finance receivables and amounts recoverable on contracts are classified as loans and receivables as defined in IAS 39, which are initially recognised at fair value and then are stated at amortised cost

Finance receivables are classified as current assets and are expected to be realised over the life of the project, which is the Company's normal operating cycle As at 31 December 2012 finance receivables include £20 1 million (2011 £20 5 million) due after more than twelve months

Services contracts

The amount of profit attributable to the stage of completion of a services contract is recognised when the outcome of the contract can be measured reliably Revenue for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years The stage of completion of the contract is measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract Provision is made for any losses as soon as they are foreseen

Amounts recoverable on contracts is stated at costs incurred, less those transferred to the income statement, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in trade and other receivables and represent revenue recognised in excess of payments on account

Revenue

Revenue is recognised in accordance with the finance receivable and services contracts accounting policies above and excludes VAT

Interest income arises on funds invested in deposits It is recognised in profit or loss as it accrues, using the effective interest method

Services revenue

Services revenue (in accordance with IFRIC 12) is comprised of the following components

- revenues from the provision of facilities management services to Private Finance Initiative or Public Private Partnerships ("PFI/PPP") projects calculated as the fair value of services provided,
- the fair value of the consideration receivable on construction and upgrade services,
- availability fees and usage fees on PFI/PPP projects where the principal asset is accounted for as an intangible asset, and
- third party revenues on PFI/PPP projects calculated as the fair value of services provided

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity In this case, the tax is recognised in other comprehensive income or directly in equity, respectively

Current tax is the expected tax payable on taxable income 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future tax profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

Deferred tax assets/liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on where there is an intention to settle the balances on a net basis

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows

Financing costs

Financing costs comprise interest payable, and gains and losses on hedging instruments that are recognised in the income statement

Interest payable is recognised in profit or loss as it accrues, using the effective interest method Interest payable during the construction phase of the contract is capitalised as part of the finance receivable

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Segmental information

All assets, liabilities, revenue and profit before taxation originate in the United Kingdom and are relating to one segment, being the construction, operating and financing of a Private Finance Initiative contract

3 Profit before taxation

	2012 £'000	2011 £'000
Profit before taxation is stated after charging		
Auditor's remuneration		
- audit of these financial statements	10	10
Amounts payable to the auditors and their associates in respect of		
- taxation services	6	6

4 Remuneration of directors

Directors' emoluments for the year amounted to £80,000 (2011 £30,000) Directors' emoluments were paid to the shareholders of the parent undertaking

5 Employees

The company had no employees during the year (2011 nil)

6 Financial income

	2012 £'000	2011 £'000
Finance receivable interest	1,411	1,436
Bank interest receivable	8	7
	1,419	1,443

7 Financial expenses

	2012 £'000	2011 £'000
Interest on index linked bonds	1,529	1,943
Interest on subordinated debt	337	336
	1,866	2,279

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Taxation

	2012 £'000	2011 £'000
Current tax expense		
Current year	-	-
Adjustments in respect of prior years	-	(5)
Total current tax	-	(5)
Deferred tax	33	(51)
Total income tax expense reported in the income statement	**33**	**(56)**

	2012 £'000	2011 £'000
Reconciliation of income tax expense		
Profit before taxation	**13**	(231)
UK Corporation tax thereon at 24 5% (2012 26 58%)	3	(61)
Unrelieved tax losses	(3)	
Recognition of tax losses previously unrecognised	-	(40)
Amortisation of non-qualifying asset	-	49
Re-measurement of deferred tax - change in enacted tax rate	33	-
Total tax in the income statement	**33**	**(56)**

Deferred tax provision has been recognised on those tax losses which can be set off against future profits of the Company The future profits of the Company have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the panned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Trade and other receivables

	2012	2011
	£'000	£'000
Trade receivables	**265**	255
Other receivables	**2,482**	2,213
Prepayments and accrued income	**48**	55
	2,795	2,523

No allowance for doubtful amounts has been created None of the trade receivables are past due but not impaired The other classes do not contain impaired assets The Company considers that due to the nature of its business, that it is not exposed to significant credit risk

10 Trade and other payables

	2012	2011
	£'000	£'000
Trade payables	**-**	18
Accruals and deferred income	**571**	280
Other taxation	**58**	66
	629	364

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Tax losses	Finance receivables	Total
	£'000	£'000	£'000
1 January 2011	2,029	(2,208)	(179)
Recognised in income statement	47	4	51
31 December 2011	2,076	(2,204)	(128)
Recognised in income statement	(251)	218	(33)
31 December 2012	1,825	(1,986)	(161)

The deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Company The future profits of the Company have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings For more information about the Company's exposure to interest rates, see note 13

	2012	2011
	£'000	£'000
Non current liabilities		
3 1095% index linked secured guaranteed bonds (due 2033)	**21,477**	21,526
Subordinated debt	**2,398**	2,398
Total	**23,875**	23,924
Current liabilities		
3 1095% index linked secured guaranteed bonds (due 2033)	**859**	786

Terms and debt repayment schedule

The bonds are indexed-linked 3 1095% bonds redeemed by instalments each on 30 April and 31 October commencing on 30 April 2005 with the final repayment due on 31 October 2033 The bonds are guaranteed by Assured Guaranty (UK) Limited and are secured by a fixed and floating charge over the assets of the Company The bonds are indexed using RPI figures published by the Office for National Statistics The index ratio uses a base index figure of 174 5 and a numerator index figure that is published in the eighth month prior to each payment date

Repayment of the subordinated debt has been deferred until the end of the project, which is expected to be 2034 The interest rate on the subordinated debt is 14% per annum

13 Financial instruments

The Company's principal financial instruments comprise short term deposits, indexed-linked guaranteed bonds and subordinated loans The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities Board approval is required for the use of any new financial instrument, and the Company's ability to do so is restricted by covenants in its existing funding agreements

All financial instruments are classified as loans and receivables or other financial liabilities

Exposure to credit and interest rate risks arises in the normal course of the Company's business

The Company does not have any exposure to foreign currency fluctuations

Credit risk
Although the Lord Chancellor's Department (the "Authority") is the only client of the Company, the directors are satisfied that the Authority will be able to fulfil its collateral obligations under the PFI contract

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Financial instruments (continued)

The carrying amount of financial assets represents the maximum credit exposure

	2012 £'000	2011 £'000
Finance receivable	**20,476**	20,869
Trade receivables	**265**	255
Other receivables	**2,482**	2,213
Cash and cash equivalents	**2,150**	1,722
	25,373	25,059

Ageing of trade receivables	2012 £'000	2011 £'000
Due		
Within one to three months	**265**	255

Interest Rate Risk
The Company has indexed linked bonds which are subject to fluctuations but the risk is also offset by turnover being subject to similar indexation terms

Effective interest and repricing analysis
In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they fall due

2012	**Effective interest rate**	**Total** **£'000**	**One year or less** **£'000**	**1-2 years** **£'000**	**2-5 years** **£'000**	**5+ years** **£'000**
Finance receivable	6 8%	**20,476**	**422**	**452**	**1,554**	**18,048**
Cash and cash equivalents	0 1% - 0 60%	**2,150**	**2,150**	-	-	-
Trade receivables	-	**265**	**265**	-	-	-
Other receivables	-	**2,482**	**2,482**	-	-	-
Index linked guaranteed bonds	3 1095%	**(22,336)**	**(859)**	**(1,051)**	**(3,195)**	**(17,231)**
Trade payables	-	**(629)**	**(629)**	-	-	-
Subordinated debt	14 0%	**(2,398)**	-	-	-	**(2,398)**
		10	**3,831**	**(599)**	**(1,641)**	**(1,581)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Financial instruments (continued)

2011	Effective interest rate	Total £'000	One year or less £'000	1-2 years £'000	2-5 years £'000	5+ years £'000
Finance receivable	6 8%	20,869	394	422	1,453	18,600
Cash and cash equivalents	0 1% - 0 60%	1,722	1,722	-	-	-
Trade receivables	-	255	255	-	-	-
Other receivables	-	2,213	2,213	-	-	-
Index linked guaranteed bonds	3 1095%	(22,312)	(786)	(859)	(3,457)	(17,210)
Trade payables	-	(364)	(364)	-	-	-
Subordinated debt	14 0%	(2,398)	-	-	-	(2,398)
		(15)	3,434	(437)	(2,004)	(1,008)

Sensitivity analysis

At 31 December 2012, it is estimated that a general increase of one percentage point in interest rates would decrease the Company's profit before tax by approximately £206,000 (2011 £206,000)

Fair values

The fair values together with the carrying amounts shown in the balance sheet of all financial assets and liabilities are as follows

	2012 Carrying amount £'000	2012 Fair value £'000	2011 Carrying amount £'000	2011 Fair value £'000
Cash and cash equivalents	**2,150**	**2,150**	1,722	1,722
Trade receivables	**265**	**265**	255	255
Other receivables	**2,482**	**2,482**	2,213	2,213
Finance receivable	**20,476**	**22,865**	20,869	26,555
Trade and other payables	**(629)**	**(629)**	(364)	(364)
Index linked guaranteed bonds	**(22,336)**	**(22,336)**	(22,312)	(22,312)
Subordinated debt	**(2,398)**	**(3,662)**	(2,398)	(4,200)
	10	**1,135**	(15)	3,869

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Financial instruments (continued)

Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table

For payables and receivables with a remaining life of one year or less and index linked bonds, the carrying amount is deemed to reflect the fair value All other payables and receivables are discounted to determine the fair value

Fair value of finance receivables and subordinated debt is calculated by discounting future cash flows at an appropriate discount rate The discount rate used is calculated by adding an appropriate premium to the relevant gilt yield for the project The gilt yield reflects the unexpired term of the project agreement and the estimated premium reflects market spread that would be required by investors of the PFI project companies with similar risk profiles The discount rates that have been applied to the finance receivables are 5 5% (2011 4 15%) and subordinated debt is 8 5% (2011 7 15%)

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as these fall due The Company's financial obligations, including the repayment of its borrowings which are provided on a long term basis, have been structured to be met from the income which, under normal operating conditions, will be earned from its long term concession contract with the Authority

14 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders The capital management strategy remains unchanged from 2010

The capital structure of the Company consists of borrowings as detailed in note 12 and equity

To maintain or adjust the capital structure of the Company, the Company may adjust the dividend payment to shareholders or issue new shares if deemed necessary

15 Share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
3,000 ordinary shares of £1 each	3,000	3,000

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Contingencies and commitments

Contingencies

The Company did not have any contingencies at 31 December 2012 (2011 £nil)

Capital commitments

The Company did not have any capital commitments at 31 December 2012 (2011 £nil)

17 Related party disclosures

The Company is controlled by Enterprise Civic Buildings (Holdings) Limited, the Company's immediate parent undertaking Infrastructure Investments LP (acting by its general partner, Infrastructure Investments General Partner Limited) has a 100% interest in the parent company's share capital and subordinated loan stock having bought Sodexo Investments Services Limited's 10% share in September 2012

Infrastructure Investments LP and Sodexo groups of companies have interests in certain contracts placed by the Company, for the financing, construction and provision of certain services in relation to the operation of its 32 year Private Finance Initiative contract for The Lord Chancellor's Department

Infrastructure Investments LP is also party to an Equity Subscription and Subordinated Debt agreements for the Company

During the year, the Company has incurred costs charged by these related parties as follows

	Transactions		Balance owed to/(from) at year end	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Management Services				
- Sodexo Limited	860	716	277	74
- Infrastructure Investments LP	-	27	-	-
Directors' fees				
- Sodexo Investment Services Limited	-	15	-	-
- Infrastructure Investments LP	80	15	-	-
Subordinated debt				
- Sodexo Investment Services Limited	17	34	-	245
- Infrastructure Investments LP	320	302	169	2,209
	1,277	1,109	446	2,528

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Enterprise Civic Buildings (Holdings) Limited incorporated in the United Kingdom

The largest group in which the results of the company are consolidated is that headed by HICL Infrastructure Company Limited The consolidated accounts of these groups are available to the public and may be obtained from 1 Le Trouchet, St Peter Port, Guernsey

19 Accounting estimates and judgements

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

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

- Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which are based on forecasted results of the PFI contract, and
- The Company has recognised a deferred tax asset in respect of tax losses The Directors review the forecasts of future taxable profits on a regular basis so as to satisfy themselves about the carrying value of the deferred tax asset