ENTERPRISE CIVIC BUILDINGS LIMITED

Registered number 4421860

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Business review and principal activities
The principal activity of the Company is the finance and partial operation of the Exeter Crown and County Courts PFI project under the Government's Private Finance Initiative. 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 directors monitor actual financial performance against this anticipated performance. As at 31 December 2014, the Company's performance reflects an acceptable variance to this model.

The results for the year are set out in the statement of profit and loss and other 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 15 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 15 to the accounts.

Dividend
An interim dividend of £79,918 was paid (2013: £nil). The directors do not recommend a final dividend in respect of the year ended 31 December 2014 to be paid (2013: £nil).

Directors
The directors who served during the year were as follows:

M C Wayment (resigned with effect from 28 may 2015)
G Quaife (alternate to M C Wayment) (resigned with effect from 28 May 2015)
R Newton
S A Carter
J N E Cowdell (alternate to S A Carter)
W Davies (appointed with effect from 28 May 2015)
J Whittington (appointed with effect from 28 May 2015)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (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.

Strategic Report exemption

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption. Accordingly no Strategic Report has to be prepared.

Political and charitable contributions

The Company made no political or charitable contributions during the year (2013: £nil).

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 auditor is 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 auditor is 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.

Auditor

Pursuant to section 487 of the companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

R Newton
Director
29 May 2015

21 St Thomas Street
Bristol
BS1 6JS

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU 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 the 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 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 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 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.

INDEPENDENT AUDITOR'S REPORT 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 2014 set out on pages 5 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 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 Financial Reporting Council'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 2014 and of its profit 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; or
- the directors were not entitled to take advantage of the small companies exemption in not preparing a Strategic Report.

5 June 2015

Amanda Moses (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Reading
RG7 4SD

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Revenue		**1,672**	2,268
Cost of sales		**(1,003)**	(1,472)
Gross profit		**669**	796
Administrative expenses		**(192)**	(193)
Operating profit		**477**	603
Financial income	*7*	**1,359**	1,392
Financial expenses	*8*	**(1,720)**	(1,819)
Profit before tax	*4*	**116**	176
Tax expense	*9*	**(40)**	1
Profit and total comprehensive income for the year		**76**	177

The notes on pages 9 to 20 form part of these financial statements.

All amounts arise from continuing operations.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

REGISTERED NUMBER: 4421860

	Notes	2014 £'000	2013 £'000
Assets			
Non current assets			
Deferred tax assets	*13*	**1,544**	1,583
Finance receivables	*15*	**19,119**	19,604
		20,663	21,187
Current assets			
Finance receivables	*15*	**483**	452
Trade and other receivables	*11*	**4,137**	3,639
Cash and cash equivalents		**1,857**	2,223
		6,477	6,314
Total assets		**27,140**	27,501
Liabilities			
Current liabilities			
Trade and other payables	*12*	**932**	882
Interest bearing loans and borrowings	*14*	**1,186**	1,051
		2,118	1,933
Non current liabiities			
Interest bearing loans and borrowings	*14*	**23,209**	23,752
Deferred tax liabilities	*13*	**1,743**	1,742
		24,952	25,494
Total liabilities		**27,070**	27,427
Net assets		**70**	74
Equity			
Issued share capital	*17*	**3**	3
Retained earnings		**67**	71
Total equity attributable to the owners of the parent		**70**	74

The notes on pages 9 to 20 form part of these financial statements.

The financial statements were approved by the Board of Directors on 29 May 2015 and were signed on its behalf by:

R Newton
Director

STATEMENT OF CHANGES IN EQUITY
as at 31 December 2014

	Attributable to the owners of the parent		
	Share Capital	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**
Balance at 31 December 2012	3	(106)	(103)
Profit for the year	-	177	177
Total comprehensive income for the year	**-**	**177**	**177**
Balance at 31 December 2013	**3**	**71**	**74**
Profit for the year	**-**	**76**	**76**
Total comprehensive income for the year	**-**	**147**	**150**
Dividends	**-**	**(80)**	**(80)**
Balance at 31 December 2014	**3**	**67**	**70**

The notes on pages 9 to 20 form part of these financial statements.

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014	2013
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	**116**	176
Adjustments for:		
Financial income	**(1,359)**	(1,392)
Financial expense	**1,720**	1,819
Operating profit before changes in working capital and provisions	**477**	603
Decrease in finance receivables	**454**	420
Increase in trade and other receivables	**(498)**	(844)
(Decrease)/increase in trade and other payables	**(129)**	75
Cash generated from operations	**304**	254
Tax paid	**-**	(1)
Net cash inflows from operating activities	**304**	253
Cash flows from investing activities		
Interest received	**1,359**	1,392
Net cash inflows from investing activities	**1,359**	1,392
Cash flows from financing activities		
Interest paid	**(887)**	(706)
Repayment of borrowings	**(1,062)**	(866)
Dividends	**(80)**	-
Net cash outflows from financing activities	**(2,029)**	(1,572)
Net (decrease)/increase in cash and cash equivalents	**(366)**	73
Cash and cash equivalents at the beginning of the year	**2,223**	2,150
Cash and cash equivalents at the end of the year	**1,857**	2,223

The notes on pages 9 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

Basis of preparation

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").

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable. The financial statements are prepared on the going concern basis, in accordance with the historical cost convention and in accordance with the Companies Act 2006.

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 2.

Standards, amendments and interpretations in issue but not yet effective

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 Company.

New currently effective requirements – this table lists the recent changes to IFRS that are required to be adopted in annual periods beginning on 1 January 2014.

Effective date	New standards or amendments
1 January 2014	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities;
	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting;

Finance receivable

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 receivable. During the operational phase income is allocated between interest receivable and the finance receivable using a project specific interest rate. The remainder of the PFI unitary charge income is included within revenue in accordance with the 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 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 2014 finance receivables include £19.1 million (2013: £19.6 million) due after more than twelve months.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Measurement convention

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

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.

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 revenues from the provision of facilities management services to Private Finance Initiative or Public Private Partnerships ("PFI/PPP") projects.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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.

Cash and cash equivalents includes £1,627,903 (2013: £1,683,904) restricted from use within the business, held in reserve accounts under the terms of the service debt agreement.

Financing costs

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

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

2 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.

3 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..

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Profit before taxation

	2014	2013
Profit before taxation is stated after charging:	£'000	£'000
Auditor's remuneration:		
- Audit of these financial statements	10	10
- Audit of parent company's financial statements	1	1

5 Remuneration of directors

The directors received no remuneration for their services (2013: £nil). Amounts payable to third parties for directors' services were £52,600 (2013: £40,000). See note 19 for details.

6 Employees

The Company had no employees during the year (2013: nil).

7 Financial income

	2014	2013
	£'000	£'000
Finance receivable interest	1,353	1,386
Bank interest receivable	6	6
	1,359	1,392

8 Financial expenses

	2014	2013
	£'000	£'000
Interest on index linked bonds	1,361	1,479
Interest on subordinated debt	359	340
	1,720	1,819

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Taxation

	2014 £'000	2013 £'000
Current tax expense		
Current year	-	1
Deferred tax	40	(2)
Total income tax expense reported in the income statement	**40**	(1)

	2014 £'000	2013 £'000
Reconciliation of income tax expense		
Profit before taxation	**116**	176
UK Corporation tax thereon at 21.50% (2013: 23.25%)	**25**	41
Unrelieved tax losses	-	-
Recognition of tax losses previously unrecognised	**(29)**	(33)
Amortisation of non-qualifying asset	**49**	16
Re-measurement of deferred tax - change in enacted tax rate	**(5)**	(25)
Total tax in the income statement	**40**	(1)

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 PFI contract.

Reduction in the rate from 23% to 21% (effective 1 April 2014), and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly.

The deferred tax asset at 31 December 2014 has been calculated based on the rates of 20% (2013: 20%) substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Dividends

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11 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**334**	271
Other receivables	**3,506**	3,339
Prepayments and accrued income	**297**	29
	4,137	3,639

No allowance for doubtful amounts has been created. None of the trade receivables are past due hence 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.

12 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**103**	-
Accruals and deferred income	**735**	789
Other taxation	**94**	92
Corporation tax	**-**	1
	932	882

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 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 2013	1,825	(1,986)	(161)
Recognised in income statement	(242)	244	2
31 December 2013	1,583	(1,742)	(159)
Recognised in income statement	**(39)**	**(1)**	**(40)**
31 December 2014	**1,544**	**(1,743)**	**(199)**

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.

14 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 15.

	2014	2013
	£'000	£'000
Non current liabilities		
3.1095% index linked secured guaranteed bonds (due 2033)	**20,641**	21,184
Subordinated debt	**2,568**	2,568
Total	**23,209**	23,752
Current liabilities		
3.1095% index linked secured guaranteed bonds (due 2033)	**1,186**	1,051

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 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.

The carrying amount of financial assets represents the maximum credit exposure:

	2014 £'000	2013 £'000
Finance receivable	**19,602**	20,056
Trade receivables	**334**	271
Other receivables	**3,506**	3,339
Cash and cash equivalents	**1,857**	2,223
	25,299	25,889

Ageing of trade receivables	2014 £'000	2013 £'000
Due:		
Within one to three months	**334**	271

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Financial instruments (continued)

2014	Effective interest rate	Total	One year or less	1-2 years	2-5 years	5+ years
		£'000	£'000	£'000	£'000	£'000
Finance receivable	6.8%	19,602	483	517	1,781	16,821
Cash and cash equivalents	0.25% - 0.35%	1,857	1,857	-	-	-
Trade receivables	-	334	334	-	-	-
Other receivables	-	3,506	3,506	-	-	-
Index linked guaranteed bonds	3.1095%	(21,827)	(1,186)	(1,221)	(2,481)	(16,939)
Other payables	-	(932)	(932)	-	-	-
Subordinated debt	14.0%	(2,568)	-	-	-	(2,568)
		(28)	4,062	(704)	(700)	(2,686)

2013	Effective interest rate	Total	One year or less	1-2 years	2-5 years	5+ years
		£'000	£'000	£'000	£'000	£'000
Finance receivable	6.8%	20,056	452	483	1,664	17,457
Cash and cash equivalents	0.25% - 0.35%	2,223	2,223	-	-	-
Trade receivables	-	271	271	-	-	-
Other receivables	-	3,339	3,339	-	-	-
Index linked guaranteed bonds	3.1095%	(22,235)	(1,051)	(1,186)	(2,825)	(17,173)
Other payables	-	(882)	(882)	-	-	-
Subordinated debt	14.0%	(2,568)	-	-	-	(2,568)
		204	4,352	(703)	(1,161)	(2,284)

Sensitivity analysis

At 31 December 2014, it is estimated that a general increase of one percentage point in interest rates would decrease the Company's profit before tax by approximately £168,000 (2013: £206,000).

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.

The fair values of indexed linked bonds have been calculated by SMBC Nikko Capital Markets Limited (SMBC). The values were determined using SMBC's pricing model and methods and represent Level 3 in the IFRS 13 fair value hierarchy which expands on the requirements of fair value measurement by IFRS 7.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Financial instruments (continued)

Interest Rate Risk (continued)

The different levels have been defined by the Group as follows:
Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

	2014 Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Cash and cash equivalents	**1,857**	**1,857**	**-**	**-**	**1,857**
Trade receivables	**334**	**334**	**-**	**-**	**334**
Other receivables	**3,506**	**3,506**	**-**	**-**	**3,506**
Finance receivable	**19,602**	**21,720**	**-**	**-**	**21,720**
Trade and other payables	**(932)**	**(932)**	**-**	**-**	**(932)**
Index linked guaranteed bonds	**(21,827)**	**(21,827)**	**-**	**-**	**(21,827)**
Subordinated debt	**(2,568)**	**(3,897)**	**-**	**-**	**(3,897)**
	(28)	**761**	**-**	**-**	**761**

	2013 Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Cash and cash equivalents	2,223	2,223	-	-	2,223
Trade receivables	271	271	-	-	271
Other receivables	3,339	3,339	-	-	3,339
Finance receivable	20,056	22,308	-	-	22,308
Trade and other payables	(882)	(882)	-	-	(882)
Index linked guaranteed bonds	(22,235)	(22,235)	-	-	(22,235)
Subordinated debt	(2,568)	(3,901)	-	-	(3,901)
	204	1,123	-	-	1,123

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 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% (2013: 5.5%) and subordinated debt is 8.5% (2013: 8.5%).

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.

16 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 2013.

The capital structure of the Company consists of borrowings as detailed in note 14 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.

17 Share capital

	2014	2013
	£	£
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.

18 Contingencies and commitments

Contingencies

The Company did not have any contingencies at 31 December 2014 (2013: £nil).

Capital commitments

The Company did not have any capital commitments at 31 December 2014 (2013: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 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.

Infrastructure Investments LP is 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 at year end**	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Directors' fees				
- Infrastructure Investments LP	**53**	45	**-**	45
Subordinated debt				
- Infrastructure Investments LP	**-**	-	**(2,568)**	(2.568)
Subordinated debt interest				
- Infrastructure Investments LP	**359**	340	**61**	60
Dividends				
- Enterprise Civic Buildings (Holdings) Ltd	**80**	-	**-**	-
	492	385	**(2,507)**	(2.463)

20 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 Enterprise Civic Buildings (Holdings) Limited. The consolidated accounts of these groups are available to the public and may be obtained from Victoria House, 101 Victoria Road, Chelmsford, Essex CM1 1JR.

The ultimate parent of the group is HICL Infrastructure Company Limited incorporated in Guernsey.