# Ashburton Services Limited

## Annual Report and Financial Statements

## For the Year Ended 31 March 2014

## Registered Number 4798203



**KPMG LLP**
Chartered Accountants and Statutory Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

# Ashburton Services Limited

## Financial Statements

## Year ended 31 March 2014

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# Ashburton Services Limited

## Company Information

| | |
|---|---|
| **The board of directors** | John George<br>Geoff Lewis |
| **Company secretary** | Infrastructure Managers Limited |
| **Registered office** | c/o CMS Cameron McKenna<br>Northwest Wing Bush House<br>London<br>WC2B 4EZ |
| **Auditors** | KPMG LLP<br>Chartered Accountants<br>and Statutory Auditor<br>Arlington Business Park<br>Theale<br>Reading<br>RG7 4SD |
| **Bankers** | Nationwide Building Society<br>Kings Park Road<br>Moulton Park<br>Northampton<br>Northants<br>NN3 6NW |
| **Solicitors** | Addleshaw Goddard<br>150 Aldersgate Street<br>London<br>EC1A 4EJ |

# Ashburton Services Limited

## Directors' Report

## Year ended 31 March 2014

The directors present their report and the financial statements of the Company for the year ended 31 March 2014.

### Principal Activities and Business Review

The Company's principal activity is the construction and refurbishment of schools and the provision of related facilities management services on a 30 year contract under the Private Finance Initiative. As the company is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. During the year the company was fully compliant with the contractual terms and incurred no penalty points. From a financial perspective the company has been performing well and has been compliant with the covenants laid out in the loan agreement. The company is also forecasting compliance with the covenants laid out in the loan agreement.

The directors expect the performance of the company to be in line with the forecasting model and remain profitable in future years.

### Results and Dividends

The profit for the year, after taxation, amounted to £112,082 (2013: profit £199,813). The directors have not recommended a dividend.

The profit for the year will be transferred to reserves.

Ashburton Services Limited financial results were in line with forecast and the Directors intend for the business to continue to hold its investment.

### Key performance indicators

The performance of the Company from a cash perspective is assessed on a six monthly basis by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio.

### Principal risk and uncertainties

The Authority is the sole client of the Company but the directors consider that no strategic risk arises from such a small client base since the client is underwritten by the Secretary of State.

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 Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk and interest rate risk. Refer to note 13 for further detail.

### Future Prospects

The Company will continue to provide and support the Authority in its expansion of the school under the PFI scheme.

## Financial Instruments

Details of the Company's financial risk management objectives and policies are included in note 12 to the accounts.

## Directors

The directors who served the Company during the year and up to the date of this report are listed on page 1.

## Small Company Provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. Accordingly, no Strategic Report has been prepared.

## Disclosure of Information to the 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 auditor is 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 auditor is aware of that information.

## Auditor

KPMG LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:
c/o CMS Cameron McKenna
Northwest Wing Bush House
London
WC2B 4EZ

Signed by order of the directors

Infrastructure Managers Limited
Company Secretary

Approved by the directors on 3 September 2014

# Ashburton Services Limited

## Statement of Directors' Responsibilities

## Year ended 31 March 2014

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 year.

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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The Directors' responsibilities were approved by the board on 3 Sept 2014 and signed on its behalf by:

..........................
John George

# Ashburton Services Limited

## Independent Auditor's Report to the Members of Ashburton Services Limited

We have audited the financial statements of Ashburton Services Limited for the year ended 31 March 2014 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's Members, as a body, in accordance with Sections 495 and 496 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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 website 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 March 2014 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.

## 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.

# Ashburton Services Limited

## Independent Auditor's Report to the Members of Ashburton Services Limited *(continued)*

## 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 from the requirement to prepare a strategic report.

Amanda Moses (Senior Statutory Auditor)
For and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

5 September 2014

# Ashburton Services Limited

## Profit and Loss Account

## Year ended 31 March 2014

| | Note | 2014<br>£ | 2013<br>£ |
|---|---|---|---|
| **Turnover** | 2 | **905,904** | 973,696 |
| Cost of sales | | **(741,878)** | (706,166) |
| **Gross Profit** | | **164,026** | 267,530 |
| Administrative expenses | | **(155,536)** | (156,895) |
| **Operating Profit** | 3 | **8,490** | 110,635 |
| Interest receivable | 5 | **1,289,292** | 1,320,596 |
| Interest payable and similar charges | 6 | **(1,151,445)** | (1,166,723) |
| **Profit on Ordinary Activities Before Taxation** | | **146,337** | 264,508 |
| Tax on profit on ordinary activities | 7 | **(34,255)** | (64,695) |
| **Profit for the Financial Year** | | **112,082** | 199,813 |

All of the activities of the Company are classed as continuing.

The Company has no recognised gains and losses other than those included in the profit above, which all relate to continuing activities, and therefore no separate statement of total recognised gains and losses has been presented.

**The notes on pages 9 to 15 form part of these financial statements.**

# Ashburton Services Limited

## Balance Sheet

## As at 31 March 2014

| | Note | 2014 £ | 2013 £ |
|---|---|---|---|
| **Current Assets** | | | |
| Debtors due within one year | 8 | **745,308** | 519,737 |
| Debtors due after one year | 8 | **18,581,464** | 18,947,126 |
| Cash at bank | | **1,000,645** | 928,823 |
| | | **20,327,417** | 20,395,686 |
| **Creditors: Amounts falling due within one year** | 9 | **(2,466,495)** | (2,130,342) |
| **Net Current Assets** | | **17,860,922** | 18,265,344 |
| **Total Assets Less Current Liabilities** | | **17,860,922** | 18,265,344 |
| **Creditors: Amounts falling due after more than one year** | 10 | **(15,981,986)** | (16,498,490) |
| **Net assets** | | **1,878,936** | 1,766,854 |
| **Capital and Reserves** | | | |
| Share capital | 13 | **1,241,550** | 1,241,550 |
| Profit and loss account | 14 | **637,386** | 525,304 |
| **Equity Shareholders' Funds** | 15 | **1,878,936** | 1,766,854 |

These accounts on pages 7 to 15 were approved by the directors and authorised for issue on 3 Sept 2014, and are signed on their behalf by:

John George

Company Registration Number: 4798203

**The notes on pages 9 to 15 form part of these financial statements.**

# Ashburton Services Limited

## Notes to the Financial Statements

## Year ended 31 March 2014

### 1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on a going concern basis as the Company's, financial projections indicate sufficient funds will be generated to allow on-going obligations to be met as they fall due.

As the company is a wholly owned subsidiary of Infrastructure Investments (Portal) Limited Partnership, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

**Cash flow statement**

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company includes the company's cash flows in its consolidated cash flow statement.

**Turnover**

All turnover and profit on ordinary activities before taxation originates in the United Kingdom. Turnover is recognised in accordance with the finance debtor and services income accounting policy below and excludes VAT.

**Current taxation**

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

### 1. Accounting policies *(continued)*

#### Finance debtor

The Company is an operator of a PFI contract. The underlying asset is not deemed to be a tangible asset of the Company under Financial Reporting Standard 5 Application Note F because the risks and rewards of ownership as set in that standard are deemed to lie principally with the Authority.

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. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 5 Application Note G. The company recognises income in in in respect of the services provided as it fulfills its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of these services. Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

#### Major maintenance

The company has the obligation to maintain the infrastructure over the life of the contract and is responsible for the major maintenance replacement risk associated. Income is being deferred to future periods, based upon the forecast of the future maintenance expenditure, in order to match that element of income with the costs to which it relates.

### 2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below:

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| United Kingdom | **905,904** | 973,696 |

### 3. Operating profit

Operating profit is stated after charging:

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Auditor's remuneration | | |
| - as auditor | **8,034** | 7,500 |
| - for other services | **3,000** | 2,500 |

The audit fee in respect of the company was £8,034 for the period (2013: £7,500). This included the audit fee of £750 for its immediate parent undertaking, Ashburton Services (Holdings) Limited for which no recharge was made.

## 4. Particulars of employees and directors

The Directors did not receive any remuneration from the Company during the year (2013: £nil). During the period, the company incurred fees of £45,110 in relation to services provided by the Directors. These fees were payable to Infrastructure Investments Limited Partnership. At the year-end there was a payable of £22,556 in relation to these fees.

There were no employees in the financial year (2013: nil).

## 5. Interest receivable

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Bank interest receivable | 1,208 | 82 |
| Finance debtor interest receivable | 1,288,084 | 1,320,514 |
| | 1,289,292 | 1,320,596 |

## 6. Interest payable and similar charges

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Interest payable on bank borrowing | 943,092 | 958,064 |
| Interest payable on loans due to immediate parent company | 194,729 | 194,729 |
| Amortisation of loan issue costs | 13,624 | 13,930 |
| | 1,151,445 | 1,166,723 |

## 7. Taxation on ordinary activities

### (a) Analysis of charge in the year

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Current tax: | | |
| UK Corporation tax based on the results for the year at 23% (2013 - 24%) | 34,474 | 64,695 |
| Over/under provision in prior year | (219) | - |
| Total current tax | 34,255 | 64,695 |

### 7. Taxation on ordinary activities *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 23% (2013 - 24%).

| | **2014** | 2013 |
|---|---|---|
| | **£** | £ |
| Profit on ordinary activities before taxation | **146,337** | 264,508 |
| Profit on ordinary activities by rate of tax | **33,657** | 63,482 |
| Expenses not deductible for tax purposes | **1,205** | 1,213 |
| Capital allowances for year in excess of depreciation | **(388)** | - |
| Adjustments to tax charge in respect of previous periods | **(219)** | - |
| Total current tax (note 7(a)) | **34,255** | 64,695 |

#### (c) Factors that may affect future tax charges

During the year, as a result of the reduction in the UK main corporation tax rate from 23% to 20% that was enacted on 17 July 2013 to take effect in two stages from 1 April 2014 (21%) and then from 1 April 2015 (20%). This will reduce any furture tax charges.

### 8. Debtors

| | **2014** | 2013 |
|---|---|---|
| | **£** | £ |
| Trade debtors | **306,068** | – |
| Corporation tax repayable | **37,131** | – |
| Finance debtor | **18,945,065** | 19,297,211 |
| Prepayments and accrued income | **38,508** | 169,652 |
| | **19,326,772** | 19,466,863 |

The debtors above include the following amounts falling due after more than one year:

| | **2014** | 2013 |
|---|---|---|
| | **£** | £ |
| Finance debtor | **18,581,464** | 18,947,126 |

### 9. Creditors: Amounts falling due within one year

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Bank loans | **568,546** | 524,043 |
| Trade creditors | **166,042** | 120,497 |
| Amounts owed to group undertakings | **1,584,355** | 1,314,018 |
| Corporation tax | – | 17,473 |
| Other taxation | **104,773** | 89,177 |
| Other creditors | – | 22,422 |
| Accruals and deferred income | **42,779** | 42,712 |
| | **2,466,495** | 2,130,342 |

The amounts owed to group undertakings consists of accrued interest of £1,508,746 and group tax relief of £75,609.

### 10. Creditors: Amounts falling due after more than one year

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Bank loans | **13,884,913** | 14,453,459 |
| Amounts owed to group undertakings | **1,574,200** | 1,574,200 |
| | **15,459,113** | 16,027,659 |
| Accruals and deferred income | **522,873** | 470,831 |
| | **15,981,986** | 16,498,490 |

Amounts owed to group undertakings relates to subordinated debt due to the immediate parent Company Ashburton Services (Holdings) Limited. Interest on the subordinated loan is charged at 12.509%. The loan bears a Coupon of 12.37 per cent per annum and repayment of capital should have commenced on 30 September 2006. The Coupon on the principal amount accrues daily and is payable quarterly on 31 March, 30 June, 30 September and 31 December each year. The investment sum was advanced under a subordinated loan agreement and is therefore unsecured, and would rank alongside ordinary creditors in the case of a winding up.

The bank loan is secured by a floating charge over all the assets, rights and undertakings of the Company.

Included within bank loans are arrangement fees of £168,493 (2013: £182,117) which is written off to the profit and loss account over the period of the loan.

The Company has a bank loan of £14,383,952 (2013: £14,694,619). This loan was drawn down under a non-recourse financing agreement and is repayable over 28 years following financial close in monthly instalments and commenced on 30 September 2006. The interest rate on this loan is fixed. The Company took a supplemental loan out in 2007 of £1,950,000. The interest rate on the loan is LIBOR. On 17th June 2011 a side letter was agreed with the senior lender to use any surplus cash to repay the supplemental credit facility as early as possible. No shareholder distributions will be paid until the supplemental loan is repaid in full. The supplemental loan balance at the year end is £238,000 (2013: £465,000).

### 11. Creditors - capital instruments

Creditors include loans which is due for repayment as follows:

| | **2014** | 2013 |
|---|---|---|
| | **£** | £ |
| Amounts repayable: | | |
| In one year or less or on demand | **568,546** | 524,043 |
| In more than one year but not more than two years | **347,571** | 568,546 |
| In more than two years but not more than five years | **1,232,590** | 1,133,531 |
| In more than five years | **13,878,952** | 14,325,582 |
| | **16,027,659** | 16,551,702 |

### 12. Financial risk management objectives and policies

*Interest rate risk*
Due to the nature of the company's business, the only financial risks the directors consider relevant to this company are credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant as the Authority is the sole client and the directors are satisfied that the Authority will be able to fulfill its obligations under the Project Agreement as it is underwritten by the Secretary of State.

The financial risk management objectives of the company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

*Liquidity risk*
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they 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.

### 13. Share capital

**Allotted, called up and fully paid:**

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **No** | **£** | No | £ |
| Ordinary shares of £1 each | **1,241,550** | **1,241,550** | 1,241,550 | 1,241,550 |

Ashburton Services Limited is 100% owned by Ashburton Services (Holdings) Limited.

### 14. Profit and loss account

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Balance brought forward | **525,304** | 325,491 |
| Profit for the financial year | **112,082** | 199,813 |
| Balance carried forward | **637,386** | 525,304 |

### 15. Reconciliation of movements in shareholders' funds

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| Profit for the financial year | **112,082** | 199,813 |
| Opening shareholders' funds | **1,766,854** | 1,567,041 |
| Closing shareholders' funds | **1,878,936** | 1,766,854 |

### 16. Related party disclosures

The directors have considered the provisions contained within FRS 8 and are satisfied that there are no further disclosures required.

### 17. Ultimate parent company

The Company's immediate parent undertaking and controlling party is Ashburton Services (Holdings) Limited.

The ultimate parent and controlling entity is Infrastructure Investment (Portal) Limited Partnership. The smallest and largest group in which the results are consolidated is Infrastructure Investment (Portal) Limited Partnership. These accounts are available to the public and may be obtained from 12 Charles II Street, London, SW1Y 4QE.