

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED ANNUAL REPORT  
FOR THE YEAR ENDED  
31ST DECEMBER 2017



NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

COMPANY INFORMATION

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DIRECTORS

D G Lewis  
D W Davies

SECRETARY

J-P Bonnet

REGISTERED OFFICE

Astral House  
Imperial Way  
Watford  
Hertfordshire  
WD24 4WW

REGISTERED NUMBER

4921422

AUDITOR

KPMG LLP  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

BANKERS

Barclays Bank PLC  
One Churchill Place  
London  
E14 5HP

The Directors submit their report to the members, together with the audited consolidated financial statements for the year ended 31st December 2017.

**Principal activity and review of the business**

The Group's principal activity is to design, build, finance, operate and manage a primary school in Newport. On 18th March 2008, Newport School Solutions Limited entered into a long term contract under a Private Finance Initiative (PFI) with Newport City Council to design, build, finance, operate and manage a 650 pupil combined nursery, infant and junior school on the outskirts of Newport, South Wales. The school was being built on council owned brown field site; construction was completed in 2009. The Group is now engaged exclusively in the operation of the new school and the provision of support services functions over the concession period of 25 years. In return the company is entitled to receive concession revenue over the concession period, following the completion of the construction phase. The principal activity of the Company is that of an investment holding company.

The group made a profit of £70,000 (2016: £37,000) and paid dividends of £nil (2016: £nil) during the year.

**Directors**

The directors of the Company serving during the year were:

J Whittington – resigned 21/09/2017

D G Lewis

D W Davies – appointed 21/09/2017

**Strategic report exemption**

The Director's Report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption. Accordingly, no Strategic Report has been prepared.

**Indemnity provisions**

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

**Going concern**

The financial statements have been prepared on the going concern basis of accounting which the directors believe to be appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Group to continue to trade as a going concern.

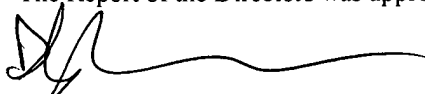
**Disclosure of information to the auditor**

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 Group's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

**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.

The Report of the Directors was approved by the Board on 29 June 2018 and signed on its behalf by:



D G Lewis  
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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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 group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and parent company and of their 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

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**Opinion**

We have audited the financial statements of Newport School Solutions (Holdings) Limited ("the company") for the year ended 31<sup>st</sup> December 2017, which comprise the Consolidated Profit and Loss Account and Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31<sup>st</sup> December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

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**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Richard Lomax (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX  
Date 29 June 2018

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER  
COMPREHENSIVE INCOME  
AT 31ST DECEMBER 2017

	Notes	2017 £000	2016 £000
<b>Turnover</b>	2	636	555
Cost of sales		(429)	(372)
<b>Gross profit</b>		207	183
Administrative expenses		(174)	(162)
Other income		25	-
<b>Operating profit</b>	3	58	21
Interest receivable and similar income	5	909	921
Interest payable and similar expenses	5	(881)	(889)
<b>Profit before taxation</b>		86	53
Tax on profit	6	(16)	(16)
<b>Profit for the year</b>		70	37
<b>Other Comprehensive Income</b>		2017 £000	2016 £000
Items that will, or may be, classified to profit or loss			
Profit/(loss) arising on changes in fair value of cashflow hedges		399	(735)
Tax recognised in relation to change in fair value of cashflow hedges		(69)	16
<b>Other comprehensive income/(expense) for the year</b>		330	(719)
<b>Total comprehensive income/(expense) for the year</b>		400	(682)

All results arise from continuing operations.

The notes on pages 12 to 23 form an integral part to the financial statements.

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AT 31<sup>ST</sup> DECEMBER 2017

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2016	1	(2,926)	81	(2,844)
<b>Total comprehensive income for the period</b>				
Profit	-	-	37	37
Other comprehensive expense	-	(719)	-	(719)
<b>Total comprehensive (expense)/income for the period</b>	-	(719)	37	(682)
Dividends	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-
<b>Balance at 31st December 2016</b>	<b>1</b>	<b>(3,645)</b>	<b>118</b>	<b>(3,526)</b>
	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2017	1	(3,645)	118	(3,526)
<b>Total comprehensive income for the period</b>				
Profit	-	-	70	70
Other comprehensive income	-	330	-	330
<b>Total comprehensive income for the period</b>	-	330	70	400
Dividends	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-
<b>Balance at 31st December 2017</b>	<b>1</b>	<b>(3,315)</b>	<b>188</b>	<b>(3,126)</b>

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

The notes on pages 12 to 23 form an integral part of the financial statements.



NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET  
AT 31<sup>ST</sup> DECEMBER 2017

	Notes	2017 £000	2016 £000
<b>Current assets</b>			
Debtors : due within one year	8	474	445
Debtors : due after one year	8	12,407	13,028
Cash at bank and in hand		1,417	1,131
		<u>14,298</u>	<u>14,604</u>
<b>Creditors: amounts falling due within one year</b>	9	(1,037)	(848)
		<u>13,261</u>	<u>13,756</u>
<b>Net current assets</b>			
		<u>13,261</u>	<u>13,756</u>
<b>Creditors: amounts falling due after more than one year</b>	10	(16,387)	(17,282)
		<u>(3,126)</u>	<u>(3,526)</u>
<b>Net liabilities</b>			
		<u>(3,126)</u>	<u>(3,526)</u>
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Cashflow hedge reserve		(3,315)	(3,645)
Profit and loss account		188	118
		<u>(3,126)</u>	<u>(3,526)</u>
<b>Shareholders' deficit</b>			
		<u>(3,126)</u>	<u>(3,526)</u>

During the year the Company made a profit of £nil (2016: £nil). Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit or loss account.

The notes on pages ~~12~~<sup>12</sup> to ~~23~~<sup>23</sup> form an integral part to the financial statements.

The financial statements were approved by the Board on <sup>29</sup> June 2018 and signed on its behalf by:



D G Lewis  
Director  
Company Registered Number 4921422

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

COMPANY BALANCE SHEET  
AT 31<sup>ST</sup> DECEMBER 2017

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Investments	7	1	1
		<hr/>	<hr/>
<b>Net assets</b>		1	1
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	1	1
		<hr/>	<hr/>
<b>Shareholders' funds</b>		1	1
		<hr/>	<hr/>

The notes on pages <sup>12 23</sup>~~11~~ to ~~22~~ form an integral part to the financial statements.

The financial statements were approved by the Board on <sup>29</sup>~~28~~ June 2018 and signed on its behalf by:



D G Lewis  
Director  
Company Registered Number 4921422

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

COMPANY STATEMENT IN EQUITY  
AT 31<sup>ST</sup> DECEMBER 2017

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2016	1	-	1
<b>Total comprehensive expense for the period</b>			
Profit	-	-	-
<b>Other comprehensive income</b>	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	-
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31st December 2016</b>	<b>1</b>	<b>-</b>	<b>1</b>
	<hr/>	<hr/>	<hr/>
	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2017	1	-	1
<b>Total comprehensive income for the period</b>			
Profit	-	-	-
Other comprehensive expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive (expense)/income for the period	-	-	-
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31st December 2017</b>	<b>1</b>	<b>-</b>	<b>1</b>
	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 23 form an integral part of the financial statements.

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

CONSOLIDATED CASHFLOW STATEMENT  
AT 31ST DECEMBER 2017

<b>Cash flows from operating activities</b>	<b>Notes</b>	<b>2017 £000</b>	<b>2016 £000</b>
Profit for the year		70	37
Adjustments for:			
Interest received	5	(909)	(921)
Interest paid	5	881	889
Taxation	6	(16)	16
<b>Operating cash flows before movements in working capital</b>		<b>58</b>	<b>21</b>
Decrease in debtors		592	1,482
(Decrease)/increase in creditors		939	(32)
<b>Cash generated from operations</b>		<b>1,589</b>	<b>1,471</b>
Tax paid		(18)	(5)
<b>Net cash from operating activities</b>		<b>1,571</b>	<b>1466</b>
<b>Cash flows from investing activities</b>			
Interest received		3	3
<b>Net cash from investing activities</b>		<b>3</b>	<b>3</b>
<b>Cash flows from financing activities</b>			
Repayment of bank loans		(432)	(477)
Dividend payment		-	-
Interest paid		(856)	(904)
<b>Net cash from financing activities</b>		<b>(1,288)</b>	<b>(1,381)</b>
<b>Net increase in cash and cash equivalents</b>		<b>286</b>	<b>88</b>
Cash and cash equivalents at 1st January		1,131	1,043
<b>Cash and cash equivalents at 31st December</b>		<b>1,417</b>	<b>1,131</b>

The notes on pages 12 to 23 form an integral part of the financial statements.

## **1 Accounting Policies**

Newport School Solutions (Holdings) Limited (the "Company") is a company limited by shares and incorporated and domiciled in England in the UK.

### **Basis of Preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")* as issued in August 2014. The amendments to FRS102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. The presentation currency of these financial statements is sterling.

FRS 102 granted certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions continue to be taken in these financial statements:

- Service concession arrangements - The Company entered into its Service concession arrangement before the date of transition to FRS102. Therefore, its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.
- Hedge accounting documentation - The Company has taken advantage of the exemption in respect of having prepared hedge accounting documentation for each of the hedging relationships which existed previously before the date of transition.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemption available under FRS 102 in respect of certain disclosures for the parent company financial statements has been applied.

- Cash Flow Statement and related notes

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 15.

### **1.1 Measurement Convention**

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

### **1.2 Going Concern**

The directors have adopted the going concern basis in the accounts and consider such basis to be appropriate. In reaching this conclusion they have considered the expected cash inflows and outflows for the group over the remaining life of the project.

The net liabilities is a result of the accounting for the cashflow hedge which will unwind over the life of the hedged instrument, and therefore is not an indicator of a going concern issue. In reaching this conclusion, the Directors have considered the expected cash inflows and outflow for the company for the remaining life of the project, with due regard to the financial model.

**1 Accounting Policies (continued)**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

**1.3 Classification of financial instruments issued by the group**

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

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

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

**1.4 Basic financial instruments**

*Trade and other debtors/creditors*

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

*Interest-bearing borrowings classified as basic financial instruments*

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

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

**1.5 Other financial instruments**

*Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

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

**1 Accounting Policies (continued)**

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

*Derivative financial instruments and hedging*

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

*Cash flow hedges*

The Company has entered into an interest rate swap and designated this as a hedge for highly probable forecast transactions. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

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

**1.6 Impairment excluding deferred tax assets**

*Financial assets (including trade and other debtors)*

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

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

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

**1.7 Expense**

Interest payable and similar expenses include interest payable and finance charges on loans payable.

Other interest receivable and similar income include interest receivable on financing.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

**1 Accounting Policies (continued)**

**1.7 Finance debtor and service income policy**

The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Group under FRS 102 section 34C, because the risks and rewards of ownership as set out 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 102 section 23. The Group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

**1.8 Taxation**

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

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

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

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

**1.9 Investments**

Investments held as fixed assets are stated at cost less write downs to recoverable amounts where impairments are identified.



NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31ST DECEMBER 2017

2.	<b>Revenue</b>	2017	2016
		£000	£000
	The revenue is derived as follows:		
	Service fee	429	372
	Availability fee	207	183
		<u>636</u>	<u>555</u>

3. **Operating profit**

	2017	2016
	£000	£000
Auditor's remuneration		
Audit of these financial statements	1	1
Audit of subsidiaries of the Company	11	9
Remuneration for services related to taxation compliance	2	2
	<u>14</u>	<u>12</u>

4. **Employees**

The Group had no employees during the year (2016: nil). None of the directors received remuneration relating to their services as directors of Newport School Solutions (Holdings) Limited (2016: nil).

5. **Interest receivable/(payable)**

	2017	2016
	£000	£000
Finance debtor interest	906	918
Bank interest receivable	3	3
	<u>909</u>	<u>921</u>
Bank interest payable	(694)	(696)
Amortised cost of financial debt	(7)	(7)
Other interest	(180)	(186)
	<u>(881)</u>	<u>(889)</u>

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31ST DECEMBER 2017

6. **Taxation**

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

	2017 £000	2016 £000
<i>Current Tax</i>		
Current Tax on income for the period	18	12
Adjustments in respect of prior periods	-	-
Total current tax	18	12
<i>Deferred taxation:</i>		
Change in tax rates		
Origination and reversal of timing differences	67	(12)
Total Deferred Tax	67	(12)
Total Tax	85	-

	£000 Current Tax	2017 £000 Deferred tax	£000 Total tax	£000 Current tax	2016 £000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	18	(2)	16	12	4	16
Recognised in other comprehensive income	-	69	69	-	(16)	(16)
Total tax	18	67	85	12	(12)	-

*Analysis of current tax recognised in profit and loss*

	2017 £000	2016 £000
UK Corporation Tax	18	12
Deferred Tax	(2)	4
Total Current tax recognised in profit and loss	16	16

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31ST DECEMBER 2017

6. **Taxation** (continued)

Reconciliation of effective tax rate	2017 £000	2016 £000
Profit excluding taxation	86	53
Tax at UK corporation tax rate 19.25% (2016: 20.00%)	17	11
FRS102 adjustment	1	1
Other timing differences	(2)	-
Reduction in tax rate on deferred tax balance	-	4
Total tax expense included in profit or loss	16	16

7. **Investments**

Company	Shares £000
Cost:	
At 1st January 2017 and 31st December 2017	1
Net book value:	
At 1st January 2017 and 31st December 2017	1

The investment comprises 100% of the ordinary share capital of Newport School Solutions Limited, a Private Finance Initiative Company incorporated in England and Wales.

The Company's registered offices are: Astral House, Imperial Way, Watford, Hertfordshire, WD24 4WW.

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2017

8. **Group Debtors**

	2017 £000	2016 £000
<b>Debtors: due within one year</b>		
Finance debtor	463	434
Prepayments and accrued income	11	11
	<hr/>	<hr/>
	474	445
	<hr/>	<hr/>

**Debtors: due after one year**

Finance debtor	11,723	12,278
Deferred tax asset	684	750
	<hr/>	<hr/>
	12,407	13,028
	<hr/>	<hr/>

**Group Finance Debtor**

	2017 £000	2016 £000
Analysis of finance debtor		
Amounts due:		
Within one year	463	434
Between two and five years	2,170	2,034
Over five years	9,554	10,244
	<hr/>	<hr/>
Total finance debtor	12,187	12,712
	<hr/>	<hr/>

**Deferred tax asset**

	2017 £000	2016 £000
Deferred tax is attributable to the following:		
Group		
On revaluation of fair value of derivatives	684	751
Other timing differences	(1)	(1)
	<hr/>	<hr/>
	683	750
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 20178. **Group Debtors** (continued)

	1st January 2016	Recognised in income	Recognised in other comprehensive income	31st December 2016
Movement in deferred tax during the prior year	£000	£000	£000	£000
Deferred tax on revaluation of fair value of derivatives	739	(4)	16	751
Other timing differences	(1)	-	-	(1)
	<u>738</u>	<u>(4)</u>	<u>16</u>	<u>750</u>
	1st January 2017	Recognised in income	Recognised in other comprehensive income	31st December 2017
Movement in deferred tax during the year	£000	£000	£000	£000
Deferred tax on revaluation of fair value of derivatives	751	2	(69)	684
Other timing differences	(1)	-	-	(1)
	<u>750</u>	<u>2</u>	<u>(69)</u>	<u>683</u>

9. **Group Creditors:** amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdraft	518	432
Subordinated loans	11	6
Corporation tax	12	12
Taxation - VAT	74	71
Accruals including accrued interest on loans	300	327
Other creditors	122	-
	<u>1,037</u>	<u>848</u>

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2017

10.	<b>Creditors:</b> amounts falling due after more than one year	2017 £000	2016 £000
	Bank loans and overdraft	10,954	11,445
	Subordinated loans	1,407	1,421
	Other financial liabilities (see note 11)	4,026	4,416
		<hr/>	<hr/>
		16,387	17,282
		<hr/>	<hr/>

The subordinated loan due to the parent company is valued at £1,418,000 (2016: £1,427,000) at a nominal interest rate of 12.8% per annum repayable over the concession period from 2011.

Included within the bank loans are arrangement fees of £109,000 (2016: £116,000) which will be written off to the profit and loss account over the period of the loan. The company is committed to senior debt facilities of £15m. This loan is under a non-recourse finance agreement and is repayable over 24 years (inclusive of a 21-month grace period during construction). Interest repayments will be fully hedged for the life of the loan at the prevailing market rate at financial close with a margin of 0.75% during construction and 0.6% during the operating period.

The bank and the subordinated loans drawn down may be analysed by maturity as follows:

	2017 £000	2016 £000
Repayable		
within one year	529	438
between one and two years	434	529
between one and five years	1,798	1,676
after more than five years	10,128	10,661
	<hr/>	<hr/>
	12,889	13,304
	<hr/>	<hr/>

NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2017

11. **Financial instruments**

(a) Carrying amount of financial instruments

The carrying amount of the financial instruments include:

	2017 £000	2016 £000
Assets measured at amortised cost		
Finance debtor	12,187	12,712
Trade and other debtors	11	761
	<hr/> 12,198	<hr/> 13,473
Assets measured at cost less impairment		
Cash and cash equivalents	1,417	1,131
Liabilities measured at amortised cost		
Prepayments and accrued income	508	398
Bank loan	11,472	11,877
Subordinated debt	1,418	1,427
	<hr/> 13,398	<hr/> 13,702

(b) Financial instrument measured at fair value  
Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cashflows based on the terms and maturity of each contract and using market rates for a similar instrument at the measurement date.

Hedge accounting

	2017				
	Carrying amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest rate swap	4,026	507	459	1,154	1,906
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2016				
	Carrying amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest rate swap	4,416	555	526	1,422	1,913
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities measured at fair value through hedge accounting			2017 £000		2016 £000
Interest rate swaps			4,026		4,416
			<hr/>		<hr/>

The Company has entered into an interest rate swap under the bank loan which expires in March 2034. A fixed rate of 5.04% applies to all amounts drawn down under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to LIBOR to the fixed rates above.

# NEWPORT SCHOOL SOLUTIONS (HOLDINGS) LIMITED

## NOTES TO THE ACCOUNTS (continued) AT 31ST DECEMBER 2017

### 12. Share capital

	Allotted, called up and fully paid	
	2017	2016
	£	£
1,000 (2016: 1,000) Ordinary shares of £1 each	1,000	1,000

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.

### 13. Capital Commitments

The Company had no capital commitments at 31<sup>st</sup> December 2017 or 31<sup>st</sup> December 2016.

### 14. Related party transactions

The Group is a wholly owned subsidiary of Infrastructure Investments Holdings Limited.

IIHL has a subordinated loan balance of £1,418,000 (2016 : £1,427,000) with the Company.

During the year the company paid subordinated debt interest of £183,547 (2016: £184,764) and Directors Fees of £54,223 (2016: £52,713).

### 15. Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may 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 revision and future periods if the revision affects both current and future periods.

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

- Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profiles which is based on forecasted results of the PFI contract.
- Lifecycle costs are a significant proportion of future expenditure and they can be volatile in nature. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis.

### 16. Ultimate Parent Company

The company's ultimate parent entity at the end of the year was HICL Infrastructure Company Limited. The registered offices of HICL Infrastructure Company Limited are: - East Wing, Trafalgar Court Les Banques, St Peter Port, Guernsey, GY1 3PP GB.