COMPANY REGISTRATION NUMBER: 5829400

Scottish Borders Education Partnership (Holdings) Limited

Financial Statements

31 December 2015

Scottish Borders Education Partnership (Holdings) Limited

Financial Statements

Year ended 31 December 2015

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Scottish Borders Education Partnership (Holdings) Limited

Strategic Report

Year ended 31 December 2015

Principal activities and business review

The principal activity of the company is that of a holding company with a single subsidiary, Scottish Borders Education Partnership Limited.

The principal activity of the group is the provision of operational and maintenance services, including related financing arrangements for three schools in the Scottish Borders (Eyemouth, Earlston and Berwickshire), in accordance with a project agreement the group entered into with Scottish Borders Council.

The schools became fully operational in 2009. The group is currently operating the facilities for a 30 year period, providing a full range of facilities management services under a contractual agreement that provides a regular income stream which is subject to deductions for service shortfalls and the unavailability of the facilities.

The group operates in a PFI market under strict contractual obligations.

The result for the group for the year is shown in the Consolidated Statement of Comprehensive Income on page 8.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The key business risks affecting the group are considered to relate to facility management compliance, treasury management and control and review of the insurance cover and lifecycle profile.

The board formally reviews risks and appropriate processes are put in place to mitigate them

Financial risk management

The group's operations expose it to a variety of financial risks that include liquidity risk, interest rate risk and credit risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

The group's financial instruments comprise fixed and floating rate borrowings, the main purpose of which is to raise finance for the group's operations.

Bilfinger RE Asset Management Limited, as a provider of management and financial services to the group under a contractual agreement, implements the policies set by the board of directors.

Financial risk management *(continued)*

Liquidity risk
The group minimises the risk of uncertain funding in its operations by having long-term committed and drawn facilities available.

Interest rate cash flow risk
The group is exposed to market related interest rate risk in relation to the index-linked bond through movements in RPI. This is mitigated as the cash flows generated from the schools concession asset increase in line with movements in RPI.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligation under the contract giving rise to the financial instrument. The group's credit risk is concentrated as its cash flows are generated from the PFI schools concession asset. The concentration of risk is mitigated as the cash flows are secured under contract with the Scottish Borders Council, a government body.

Key performance indicators

Performance deductions under the service contract
Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These deductions are passed on to the service provider. In the year ended 31 December 2015, deductions of £25,000 (2014: £40,000) had been levied which represents 0.73% (2014: 1.28%) of revenue. The directors believe the performance for the year to be satisfactory.

Financial performance
The directors have 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 2015, the group's performance against this measure was satisfactory.

Going concern

The directors have reviewed the group's projected cashflows by reference to a financial model covering accounting periods up to 31 December 2039. The directors have also examined the current status of the group's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the group will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is is appropriate for the financial statements of the group to be prepared on a going concern basis

This report was approved by the board of directors on 26 September 2016 and signed on behalf of the board by:

A Naafs
Director

Registered office:
Part First Floor
1 Grenfell Road
Maidenhead
Berkshire
England
SL6 1HN

Scottish Borders Education Partnership (Holdings) Limited

Directors' Report

Year ended 31 December 2015

The directors present their report and the financial statements of the group for the year ended 31 December 2015.

Directors

The directors who served the company during the year and up to the date of this report are shown below:

F Schramm	
A Naafs	(Appointed 29 May 2015)
A Speer	(Resigned 29 May 2015)

Dividends

The directors have not recommended a dividend (2014: £nil).

Future developments

The updated forecast for the project confirms that it is performing satisfactorily and management of the scheme both logistically and financially remains under control. The directors remain confident that the group will maintain the current level of performance and keep meeting the obligations under the contract.

Donations

Neither the Company nor its subsidiary undertaking made any political donations during the year (2014: £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 group'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 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.

This report was approved by the board of directors on 26 September 2016 and signed on behalf of the board by:

A Naafs
Director

Registered office:
Part First Floor
1 Grenfell Road
Maidenhead
Berkshire
England
SL6 1HN

Scottish Borders Education Partnership (Holdings) Limited

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

Year ended 31 December 2015

The directors are responsible for preparing the Strategic Report, 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 for that period.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether 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 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 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 group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Scottish Borders Education Partnership (Holdings) Limited

Year ended 31 December 2015

We have audited the financial statements of Scottish Borders Education Partnership (Holdings) Limited for the year ended 31 December 2015, set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 Statement of Directors' Responsibilities set out on page 5, 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 group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and 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 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.

27 September 2016

Amanda Moses (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Chartered Accountants & statutory auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Scottish Borders Education Partnership (Holdings) Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	3	3,418	3,118
Operating costs		(2,583)	(2,393)
Operating profit		835	725
Interest receivable	5	3,956	4,036
Interest payable	6	(4,598)	(4,642)
Profit on ordinary activities before taxation		193	119
Taxation on ordinary activities	7	(54)	(24)
Total comprehensive income		–	–
Profit for the financial year and total comprehensive income		139	95

All the activities of the group are from continuing operations.

The notes on pages 14 to 25 form part of these financial statements.

Scottish Borders Education Partnership (Holdings) Limited

Consolidated Statement of Financial Position

31 December 2015

	Note		2015 £000	2014 £000
Current assets				
Debtors (including £69,440,000 (2014: £71,045,000) due after more than one year	10	73,792		74,011
Cash at bank and in hand		7,869		7,276
Total current assets		81,661		81,287
Creditors: amounts falling due within one year	11	(4,270)		(3,267)
Net current assets			77,391	78,020
Total assets less current liabilities			77,391	78,020
Creditors: amounts falling due after more than one year	12		(77,898)	(78,666)
Net liabilities			(507)	(646)
Capital and reserves				
Called up share capital	15		10	10
Profit and loss account			(517)	(656)
Total shareholder's deficit			(507)	(646)

These financial statements were approved by the board of directors and authorised for issue on 26 September 2016 and are signed on behalf of the board by:

A Naafs
Director

Company registration number: 5829400

The notes on pages 14 to 25 form part of these financial statements.

Scottish Borders Education Partnership (Holdings) Limited

Company Statement of Financial Position

31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Investments	9	**10**	10
Total assets less current liabilities		**10**	10
Capital and reserves			
Called up share capital	15	**10**	10
Total shareholder's funds		**10**	10

These financial statements were approved by the board of directors and authorised for issue on 26 September 2016, and are signed on behalf of the board by:

A Naafs
Director

Company registration number: 5829400

The notes on pages 14 to 25 form part of these financial statements.

Scottish Borders Education Partnership (Holdings) Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2014	10	(751)	(741)
Profit for the year		95	95
Total comprehensive income for the year	–	95	95
At 31 December 2014	10	(656)	**(646)**
Profit for the year		139	**139**
Total comprehensive income for the year	–	139	**139**
At 31 December 2015	10	(517)	**(507)**

The notes on pages 14 to 25 form part of these financial statements.

Scottish Borders Education Partnership (Holdings) Limited

Company Statement of Changes in Equity

Year ended 31 December 2015

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2014	10	–	10
Profit for the year		–	–
At 31 December 2014	10	–	**10**
Profit for the year		–	–
At 31 December 2015	10	–	**10**

The notes on pages 14 to 25 form part of these financial statements.

Scottish Borders Education Partnership (Holdings) Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit for the financial year	**139**	95
Adjustments for:		
Interest receivable	**(3,956)**	(4,036)
Interest payable	**4,598**	4,642
Taxation on ordinary activities	**54**	24
Accrued expenses	**2,221**	916
Changes in:		
Trade and other debtors	**(192)**	981
Trade and other creditors	**192**	(184)
Cash generated from operations	**3,056**	2,438
Interest paid	**(4,598)**	(4,642)
Interest received	**3,956**	4,036
Net cash from operating activities	**2,414**	1,832
Cash flows from financing activities		
Repayments of bond loan	**(1,768)**	(621)
Repayment of subordinated debt	**(53)**	(47)
Net cash used in financing activities	**(1,821)**	(668)
Net increase in cash and cash equivalents	**593**	1,164
Cash and cash equivalents at beginning of year	**7,276**	6,112
Cash and cash equivalents at end of year	**7,869**	7,276

The notes on pages 14 to 25 form part of these financial statements.

1. Statement of compliance

Scottish Borders Education Partnership (Holdings) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling.

In the stand alone Company Financial Statements, no transitional adjustments were required in equity or profit or loss for the year. In the transition to FRS 102 from old UK GAAP, the group has made several measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the group is provided in note 18.

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

Service concession arrangements - The Company entered into its service concession arrangement before the date of transition to FRS 102. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102. In accordance with FRS 102 35.10(i), the Company has applied the exemption to finance debtor and service income accounting policies.

The Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

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

2. Accounting policies

Measurement convention

The financial statements are prepared on the historical cost basis.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking, Scottish Borders Education Partnership Limited.

Going concern

The directors have reviewed the cash flow forecast and taking into account of reasonable possible changes in operations, believe that the group will be able to settle liabilities as they fall due for payment for the foreseeable future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

2. Accounting policies *(continued)*

Turnover

The Company entered into its service concession arrangement before the date of transition to FRS 102 and has therefore, taken advantage of the exemption under FRS 102 35.10(i) to continue with the same accounting policy for revenue recognition under old UK GAAP.

Turnover represents the value of services rendered, excluding sales related taxes, and is recognised to the extent that the group obtains the right to consideration in exchange for its performance. During the construction phase, which completed on 31 May 2012, revenues in excess of net operating and finance costs were deferred until completion of construction, whereupon they will be released to the profit and loss account over the remaining life of the concession. During the operational phase, turnover is recognised as contract activity progresses at a mark up on costs related to the provision of services. In line with FRS 102 23.22(a), the mark up is calculated based upon the forecast service revenues and costs over the concession period.

All turnover originates in the United Kingdom.

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. 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 recognised on trading losses carried forward.

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.

Investments

Investments in subsidiary undertakings are stated at cost, less an appropriate provision to reflect any impairment in the value of the investments.

2. Accounting policies *(continued)*

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.

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, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and treasury deposits.

Restricted cash

The group is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £4,121,000 at the year end (2014: £4,225,000).

Finance debtor

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 34.12C, 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 23.22(a). The group recognises income in 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.

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated on-going financing fees.

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

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

3. Turnover

Turnover arises from:

	2015	2014
	£000	£000
Service income	**3,418**	3,118

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

4. Auditor's remuneration

	2015	2014
	£000	£000
Audit of these financial statements	**13**	11

The audit fee in respect of the group was £13,000 (2014: £11,000) and for the company £2,000 (2014: £2,000). All the group audit fees have been borne by the company's subsidiary undertaking, Scottish Borders Education Partnership (Holdings) Limited.

5. Interest receivable

	2015	2014
	£000	£000
Bank interest receivable	**17**	17
Finance debtor interest receivable	**3,939**	4,019
	3,956	4,036

Interest is imputed on the finance debtor using the property specific rate of 5.47%.

6. Interest payable

	2015	2014
	£000	£000
Interest payable on bond loan	**3,789**	3,826
Interest payable on subordinated debt	**793**	800
Other interest payable and similar charges	**16**	16
	4,598	4,642

Interest payable and similar charges are recognised using the effective interest rate method.

7. Taxation on ordinary activities

Major components of tax expense

	2015 £000	2014 £000
Deferred tax:		
In respect of current year	**39**	24
In respect of changes in tax rates and laws	**15**	–
Total deferred tax	**54**	24
Taxation on ordinary activities	**54**	24

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2014: the same as) the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).

	2015 £000	2014 £000
Profit on ordinary activities before taxation	**193**	119
Profit on ordinary activities by rate of tax	**39**	24
Changes in tax rates and laws	**15**	–
Tax on profit on ordinary activities	**54**	24

Factors that may affect future tax expense

The reduction in the rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. In the budget on 8 July 2015, the Chancellor of the Exchequer announced that the UK Corporation Tax rate will reduce to 19% in 2017 and 18% in 2020. In the budget on 16 March 2016, the Chancellor announced a further reduction of 1% in the UK Corporation Tax rate to 17% from 1 April 2020. The effect of the reduction in the tax rate to 17% on the group's deferred tax asset would be to reduce the deferred tax asset by £13,000. This will also reduce the group's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

8. Profit for the year of the parent company

The profit for the financial year of the parent company was £nil (2014: £nil).

9. Investments

Company	Shares in group undertakings £000
Cost	
At 1 Jan 2015 and 31 Dec 2015	10
Impairment	
At 1 Jan 2015 and 31 Dec 2015	-
Carrying amount	
At 1 Jan 2015 and 31 Dec 2015	10

10. Debtors

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Trade debtors	955	65	-	-
Deferred tax asset	233	287	-	-
Prepayments and accrued income	1,559	1,095	-	-
Finance debtor	71,045	72,564	-	-
	73,792	74,011	-	-

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

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Finance debtor	69,440	71,045	-	-

11. Creditors: amounts falling due within one year

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Trade creditors	101	38	-	-
Accruals and deferred income	948	121	-	-
Other taxation	432	304	-	-
Bond loan (including accrued interest)	2,542	2,556	-	-
Subordinated debt (including accrued interest)	188	189	-	-
Other creditors	59	59	-	-
	4,270	3,267	-	-

12. Creditors: amounts falling due after more than one year

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Bond loan	**71,320**	72,035	**–**	–
Subordinated debt	**6,578**	6,631	**–**	–
	77,898	78,666	**–**	–

Included within Bond loan is an amount repayable after five years of £60,085,000 (2014: £62,043,000) and included within subordinated debt are amounts repayable after five years of £6,578,000 (2014: £6,631,000) respectively.

Bond loan relates to senior secured funding totalling £68,330,000 of which £15,000,000 is held by Prudential Annuities Limited and £53,330,000 is held by Prudential Retirement Income Limited with a 2.604% index linked coupon.

The senior bond facility of £68,330,000 is repayable in sixty one six-monthly instalments up until 31 May 2038. The senior bond facility is secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the group and by a floating charge over the group's undertakings and assets.

Subordinated debt represents a £6,578,000 (2014: £6,631,000) unsecured subordinated loan facility due to the shareholder of the company, BBGI Investments S.C.A.. The subordinated loan facility bears interest at a fixed rate of 12% and is fully repayable by 2038.

13. Deferred tax

The deferred tax included in the group balance sheet is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Deferred tax in relation to trading losses carried forward	**234**	287	**–**	–

14. Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2015	2014
	£000	£000
Financial assets		
Financial assets measured at amortised cost - finance debtor, trade and other debtors	**73,645**	73,913
Financial assets measured at cost less impairment - cash and cash equivalents	**7,869**	7,276
Financial liabilities		
Financial liabilities measured at amortised cost - trade and other payables, bank loan and subordinated debt	**(82,165)**	(81,933)

15. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£000	No	£000
Ordinary shares of £1 each	10,000	10	10,000	10

16. Related party transactions

During the year the group entered into the following transactions with related parties:

	Operating expenses		Payables to	
	2015	2014	2015	2014
	£000	£000	£000	£000
BBGI Investments S.C.A.	793	800	6,766	6,820

17. Ultimate parent company and parent company of larger group

At 31 December 2015, 100% of the share capital of the company was held by BBGI Investments S.C.A..

BBGI Investments S.C.A. is wholly owned by BBGI SICAV S.A., a Luxembourg investment company listed on the London Stock Exchange.

BBGI SICAV S.A. is the ultimate parent undertaking and controlling party for the years ended 31 December 2015 and 31 December 2014.

No other group financial statements include the results of the Company.

18. Explanation of transition to FRS 102 from old UK GAAP

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

As stated in note 1, these are the group's first financial statements prepared in accordance with FRS 102.

Company
In the stand alone Company Financial Statements, there are no adjustments

Group

In preparing its FRS 102 balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the group's financial position and financial performance is set out in the following tables.

Reconciliation of equity as at 1 January 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Current assets				
Debtors	*a*	74,660	1,542	76,202
Cash at bank and in hand		6,112	–	6,112
		80,772	1,542	82,314
Creditors: amounts falling due within one year	*b*	(4,122)	732	(3,390)
Net current assets		76,650	2,274	78,924
Creditors: amounts falling due after more than one year	*c*	(79,865)	200	(79,665)
Net liabilities		(3,215)	2,474	(741)
Capital and reserves				
Called up share capital		10	–	10
Profit and loss account	*d*	(3,225)	2,474	(751)
Shareholder's equity		(3,215)	2,474	(741)

18. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of equity as at 31 December 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Current assets				
Debtors	*a*	72,419	1,592	74,011
Cash at bank and in hand		7,276	–	7,276
		79,695	1,592	81,287
Creditors: amounts falling due within one year	*b*	(3,753)	486	(3,267)
Net current assets		75,942	1,591	78,020
Creditors: amounts falling due after more than one year	*c*	(79,259)	593	(78,666)
Net liabilities		(3,317)	2,671	(646)
Capital and reserves				
Called up share capital		10	–	10
Profit and loss account	*d*	(3,327)	2,671	(656)
Shareholder's equity		(3,317)	2,671	(646)

Notes to the reconciliation of equity

a) The transition to FRS 102 has resulted in a reduction in the deferred tax asset relating to trading losses of £(544,000) (1 January 2014: £(495,000), using the effective interest rate method. The reduction in the deferred tax asset relating to trading losses has been recognised within current assets.

The net adjustment to the finance debtor is £2,032,000) (1 January 2014: £2,048,000). This includes an adjustment of £2,031,000 (1 January 2014: £2,009,000) as a result of replacing capitalised borrowing costs of £7,724,000 under old UK GAAP with capitalised effective interest of £9,772,000 under FRS 102. The adjustment to capitalised interest of £2,031,000 has been offset by a decrease in the amortisation of the finance debtor of £1,000 (1 January 2014: £(32,000)) as a result of changing the finance debtor property specific rate from 5.27% to 5.47%.

The effective interest rate adjustment to the Unitary Charge Control Account is an increase of £105,000 (1 January 2014: £(11,000)). The increase in the Unitary Charge Control Account has been recognised within current assets.

b) Within creditors: amounts due within one year the effective interest rate adjustment on the index linked bond is £486,000 (1 January 2014: £732,000).

c) Within creditors: amounts falling due after more than one year the effective interest rate adjustment on the index linked bond is £593,000 (1 January 2014: £200,000).

d) Within the profit and loss account the net effect of the adjustments is £2,671,000 (1 January 2014: £2,474,000).

18. Explanation of transition to FRS 102 from old UK GAAP ***(continued)***

Reconciliation of Consolidated Statement of Comprehensive Income for the year ended 31 December 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Turnover		3,304	(186)	3,118
Operating costs		(2,393)	–	(2,393)
Operating profit		911	(186)	725
Other interest receivable and similar income		3,772	264	4,036
Interest payable and similar charges		(4,810)	169	(4,642)
Result on ordinary activities before taxation		(127)	247	119
Taxation		25	(49)	(24)
Total comprehensive income		–	–	–
Result for the year and total comprehensive income		(102)	198	95

Notes to the reconciliation of profit

a) Revenue of £(186,000) is recognised in the consolidated profit and loss account.

b) Other interest receivable and similar income of £264,000 is the result of changing the finance debtor property specific rate from 5.27% to 5.47%.

c) Interest payable and similar charges are recognised using the effective interest rate method. The effective interest rate adjustment of £169,000 is taken to the consolidated profit and loss account.

d) Taxation of £49,000 is calculated using the standard rate of corporation tax in the UK.

19. Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 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 on-going 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 debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. Quarterly management accounts are produced, which compare actual financial performance with a detailed financial model. Variances are investigated and consideration given to the impact of any major variances. The financial model is updated on a six monthly basis, to reflect actual performance to date and accommodate any changes in economic assumptions. These processes ensure that the project remains robust and viable throughout the life of the contract.