

Eastbury Park Limited

Annual report and financial statements

For the year ended 31 December 2015

Registered number 5839649



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Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Principal activities and business review

The principal activities of the company are the provision of fully serviced and managed accommodation under the Private Finance Initiative (PFI) for a period of twenty-five years pursuant to and in accordance with the terms of an agreement with the Secretary of State for Defence. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 28 July 2006. Construction began in October 2006 and was fully completed in July 2011.

The profit and loss is set out on page 8 and relates to the operating activities during the year. The directors do not recommend the payment of a dividend (2014: £nil). The accounts show a loss on ordinary activities after tax for the year of £1,507,000 (2014: loss of £2,639,000). No dividend is proposed.

During the year an early redemption of subordinated debt was made of £2,750,000 (2014: £3,275,000). A compensation payment of £4,224,000 (2014: £4,344,000) was made to the subordinated debt loan note holders for future interest payments foregone due to early redemption of this debt.

Principal risks and uncertainties

The company's principal activity as detailed above is risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the following sections.

Credit risk

The company receives its revenue from a UK government body and therefore is not exposed to significant credit risk. The company invests cash with financial institutions. The credit quality of these institutions is reviewed by the Directors on a regular basis. As such, the company's exposure to risk is reduced.

Inflation risk

The company's project revenue, operating costs, and subordinated debt interest rate are linked to inflation.

Insurance risk

The company is exposed to the conditions prevailing in the insurance market at each renewal date. The directors manage this through close monitoring of the claims record of the project and through employing experienced broking organisations to obtain competitive insurance terms.

Interest rate risk

The company hedges its interest rate risk at the inception of the project by swapping its variable rate debt into a fixed rate by the use of an interest rate swap. As such the company's exposure to interest is reduced. See note 11 for further details.

Lifecycle risk

The company is responsible for lifecycle costs. The directors manage this through asset inspection and consequential forecasting of asset replacement costs. A cash lifecycle fund is held by the company to cover future anticipated replacement costs.

**Strategic report
for the year ended 31 December 2015 (continued)
Principal risks and uncertainties (continued)**

Liquidity risk

The company has adopted a cautious approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Solvency and performance of sub-contractors

The solvency and performance of key-subcontractors is regularly monitored by the directors.

Key performance indicators

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities as detailed in the following section.

Progress of the operations

Operations continue to be performed satisfactorily.

Performance of the services

The client has the ability to levy financial penalties and/or require remedial action in the event that either performance standards are not achieved or accommodation is not available according to the detailed criteria set out in the project agreement. In respect of the year ended 31 December 2015 £nil (2014: £52,000) of financial penalties have been levied, which have been passed on to the service provider. The service provider has reviewed the services being performed and identified where remedial action is required.

Financial performance


The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory. The directors have modelled the anticipated financial outcome of the project across its full term. The directors monitor actual financial performance against anticipated performance. Income and expenditure in respect of the year ended 31 December 2015, and in future years, which are based on fixed long term contracts; are in line with the directors' expectations.

Safety performance

The company is committed to providing a safe environment for its sub-contractors and those impacted by its activities. Safety reports are provided at each board meeting. These are reviewed by the directors who monitor actual performance against anticipated performance using industry benchmarks. Appropriate action is taken where necessary to ensure all matters raised are resolved and are compliant with safety regulations.

This report was approved by the board on ~~26 September 2016~~ and signed on its behalf by

Geoff Quaife
Director



84 Salop Street
Wolverhampton
West Midlands
WV3 0SR

Directors' report for the year ended 31 December 2015

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

Results and dividends

The profit and loss account is set out on page 8 and relates to the operating activities during the year. The directors do not recommend the payment of a dividend (2014: £nil).

Directors

The directors who served during the year and subsequently were as follows:

M Holden
R Newton
G Quaife
M Wayment

Going concern

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory. The company has modelled the anticipated financial outcome of the project across its full term. The company monitors actual financial performance against anticipated performance. Income and expenditure in respect of the year ended 31 December 2015, and in future years, which are based on fixed long term contracts; are in line with the directors' expectations.

Future developments

The Directors continue to develop the business in line with the contract and there are no issues expected.

Political and charitable donations

During the year, and subsequently, the company has made £nil (2014: £nil) political donations.

During the year, the company has made £10,000 (2014: £11,000) charitable donations to servicemen's welfare funds.

Financial risk management

The company has exposures to a number of financial risks which are managed with the purpose of minimising any adverse effect on the company's performance and these are summarised in the Strategic report. The company also reviews the performance of its sub-contractors on a monthly basis and takes action if the performance levels fall below the required standard.

Directors' report for the year ended 31 December 2015 (continued)

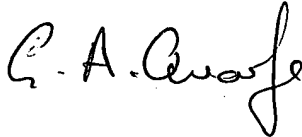
Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company'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 on ~~26 September 2016~~ and signed on its behalf by



Geoff Quaife
Director

84 Salop Street
Wolverhampton
West Midlands
WV3 0SR

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBURY PARK LIMITED

We have audited the financial statements of Eastbury Park 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 Directors' Responsibilities Statement 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 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 December 2015 and of its loss 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBURY PARK 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.



Amanda Moses (Senior Statutory Auditor)

29 September

2016

For and on behalf of KPMG LLP Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

Profit and loss account and statement of other comprehensive income
for the year ended 31 December 2015

		Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
	<i>Notes</i>		
Turnover	2	30,513	28,116
Other operating charges		(27,350)	(25,933)
Operating profit	3	3,163	2,183
Interest payable and similar charges	5	(15,545)	(17,159)
Interest receivable and similar income	6	11,139	11,469
Loss on ordinary activities before taxation		(1,243)	(3,507)
Taxation on loss on ordinary activities	7	186	868
Loss for the financial year		(1,057)	(2,639)
Other comprehensive income			
Items that will or may be reclassified to the profit and loss:			
Effective portion of fair value changes in cash flow hedges	14	4,979	(14,174)
Tax recognised in relation to fair value changes in cashflow hedge	7	(1,709)	2,834
Other comprehensive income/(expense) for the year		3,270	(11,340)
Total comprehensive income/(expense) for the year		2,213	(13,979)

There is no material difference between the profit as disclosed in the profit and loss account above and its historical cost equivalent.

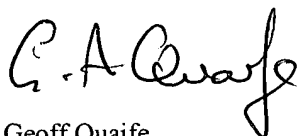
The notes on pages 11 to 25 form an integral part of these financial statements.

Balance sheet
at 31 December 2015

	<i>Notes</i>	2015	2014
		£000	£000
Current assets			
Debtors: Amounts falling due within one year	8	6,017	6,668
Debtors: Amounts falling due after one year	9	147,809	154,278
Cash		30,860	35,912
		<u>184,686</u>	<u>196,858</u>
Current liabilities			
Creditors: Amounts falling due within one year	10	(31,930)	(34,196)
Net current assets and total assets less current liabilities		<u>152,756</u>	<u>162,662</u>
 Creditors: Amounts falling due after more than one year	 11	 (189,352)	 (201,471)
 Net liabilities		 <u>(36,596)</u>	 <u>(38,809)</u>
 Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		(7,448)	(6,391)
Cash flow hedge reserve		(29,248)	(32,518)
 Equity shareholder's deficit		 <u>(36,596)</u>	 <u>(38,809)</u>

The notes on pages 11 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 26 September 2016 and were signed on its behalf by:



Geoff Quaife
Director

Registered number 5839649

Statement of Changes in Equity

	Called up share capital £000	Cashflow hedge reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2014	100	(21,178)	(3,752)	(24,830)
Total comprehensive income for the period				
Loss	-	-	(2,639)	(2,639)
Other comprehensive income	-	(11,340)	-	(11,340)
Total comprehensive income for the period	-	(11,340)	(2,639)	(13,979)
Balance at 31 December 2014	<u>100</u>	<u>(32,518)</u>	<u>(6,391)</u>	<u>(38,809)</u>
 Balance at 1 January 2015	 100	 (32,518)	 (6,391)	 (38,809)
Total comprehensive income for the period				
Loss	-	-	(1,057)	(1,057)
Other comprehensive income	-	3,270	-	3,270
Total comprehensive income for the period	-	3,270	(1,057)	2,213
Balance at 31 December 2015	<u>100</u>	<u>(29,248)</u>	<u>(7,448)</u>	<u>(36,596)</u>

The notes on pages 11 to 25 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Eastbury Park 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 transition to FRS 102 from old UK GAAP, the Company has made 2 measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 17.

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

Service concession arrangements – The Company entered into its Service concession arrangement before the date of transition to this FRS. 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 Company's parent undertaking, Eastbury Park Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Eastbury Park Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Reconciliation of the number of shares outstanding from the beginning to end of the period;

Cash Flow Statement and related notes; and

Key Management Personnel compensation.

As the consolidated financial statements of Eastbury Park Holdings Limited include the equivalent disclosures, 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 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 18.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for derivative financial instruments, which are held at fair value.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2032. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

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

1.3 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 instrument 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.

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

1.4 Restricted cash

Cash and Cash equivalent includes £18,119,000 (2014:£14,412,000) restricted from use in the business as held in the company's reserve accounts under the terms of its senior loan facility.

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:

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

Notes (continued)

1 Accounting policies (continued)

1.5 Other financial instruments (continued)

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 Interest rate swaps and designated these as hedges for highly probable forecast transaction. 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 Company 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 Finance debtor and services income

The Company is an operator of a PFI contract. The underlying asset is not deemed to be a tangible asset of the Company under FRS 102 section 34C, because the risks and rewards of ownership as set in that standard are deemed to lie principally with the Ministry of Defence.

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 FRS102 section 23. The Company 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 an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

Notes (continued)

1 Accounting policies (continued)

1.8 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing 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 method.

1.9 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 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.

1.10 Life cycle costs

The estimated costs of the company's obligation to maintain the infrastructure over the life of the contract are accrued in the balance sheet in equal instalments, after taking account of indexation, in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. An accrual is made where the cumulative estimated cost exceeds the cost incurred to the balance sheet date.

1.11 Dividends payable

Dividends are only recognised as a liability at the balance sheet date to the extent they are declared prior to the year end. Unpaid dividends that do not meet this criteria are disclosed in the notes to the financial statements.

2 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 above and excludes VAT.

Notes (continued)

3 Operating profit

The following costs were incurred during the year.

	2015 £000	2014 £000
Auditor's remuneration – audit of these financial statements	<u>12</u>	<u>10</u>

4 Staff costs

There were no employees during the year (2014: none). The directors have no contract of service with the company (2014: none). Amounts payable to third parties in respect of directors' services totalled £149,000 (2014: £112,000), see Note 15.

5 Interest payable and similar charges

	2015 £000	2014 £000
Bank borrowings	(9,085)	(9,404)
Loan stock	(2,236)	(3,409)
Loan stock buyback compensation	(4,224)	(4,346)
	<u>(15,545)</u>	<u>(17,159)</u>

6 Interest receivable and similar income

	2015 £000	2014 £000
Interest receivable on contract debtor	11,097	11,428
Bank interest receivable	38	41
HMRC interest receivable	4	-
	<u>11,139</u>	<u>11,469</u>

Notes (continued)

7 Taxation on loss on ordinary activities

	2015	2014
	£000	£000
<i>a) Analysis of tax charge/(credit) for the year</i>		
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	(224)	(701)
Effect of decreased tax rate on opening deferred tax asset	165	-
Restatement of loan values using the effective interest rate method	(127)	(166)
	<u>(186)</u>	<u>(867)</u>
	2015	2014
	Current tax	Deferred tax
	Deferred tax	Total tax
Recognised in profit and loss account	-	(186)
Recognised directly in equity	-	1,709
	<u>-</u>	<u>(1,523)</u>
Total tax	-	(1,523)
	Current tax	Deferred tax
	Deferred tax	Total tax
Recognised in profit and loss account	-	(868)
Recognised directly in equity	-	2,834
	<u>-</u>	<u>(3,702)</u>
Total tax	-	(3,702)

b) Factors affecting the tax charge for the year

The UK standard rate of corporation tax for the period is 20.25% (2014: 21.5%).

	2015 £000	2014 £000
<i>Reconciliation of effective tax rate</i>		
Loss on ordinary activities before tax	<u>(1,243)</u>	<u>(3,507)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(252)	(754)
Effect of:		
Losses carried forward	252	754
Origination and reversal of timing differences	(224)	(701)
Effect of decreased tax rate on opening deferred tax asset	165	-
Restatement of loan values using the effective interest rate method	(127)	(166)
Tax charge/(credit) for the year	<u>(186)</u>	<u>(867)</u>

Notes (continued)

7 Taxation on loss on ordinary activities (continued)

c) Factors affecting the tax charges in future years

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were 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. The deferred tax asset at 31 December 2015 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on the rate of 18% (2014: 20%) substantively enacted at the balance sheet date.

8 Debtors: Amounts falling due within one year

	2015 £000	2014 £000
Finance debtor	4,948	4,602
Prepayments and accrued income	1,069	2,066
	<u>6,017</u>	<u>6,668</u>

9 Debtors: Amounts falling due after more than one year

	2015 £000	2014 £000
Deferred tax (see note 12)	8,422	9,945
Finance debtor	139,387	144,333
	<u>147,809</u>	<u>154,278</u>

The Deferred tax asset is based on the revaluation of the Fair Value of Interest Rate Swap derivatives held by the company. These are accounted for as cash flow hedges (see note 14).

10 Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Bank borrowings	4,923	5,586
Loan stock interest	382	3,098
Loan stock (see note 11)	261	2,051
Trade creditors	124	57
Accruals and deferred income	2,523	2,679
Unitary charge control account	23,051	20,343
Other taxation	666	382
	<u>31,930</u>	<u>34,196</u>

Notes (continued)

11 Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
Bank borrowings	141,397	146,046
Loan Stock	11,909	14,400
Deferred income	378	378
Other financial instruments (see note 14)	35,668	40,647
	<u>189,352</u>	<u>201,471</u>

	2015 £000	2014 £000
The bank borrowings are repayable as follows:		
Within one year	4,923	5,586
Between one and two years	5,205	4,990
Between two and five years	17,716	16,681
Greater than five years	<u>121,440</u>	<u>127,680</u>
	<u>149,284</u>	<u>154,937</u>

	2015 £000	2014 £000
The Loan Stock is repayable as follows:		
Within one year	261	2,051
Between one and two years	195	285
Between two and five years	932	761
Greater than five years	<u>10,782</u>	<u>13,354</u>
	<u>12,170</u>	<u>16,451</u>

Bank borrowings relate to term loan facilities granted by the bank on 28 July 2006. The loan facility is for a total value of £204,500,000 comprising £180,000,000 term loan facility, £20,000,000 equity bridge facility and £4,500,000 standby facility. As at 31 December 2015 £149,351,000 (2014: £154,937,000) has been drawn comprising £149,351,000 (2014: £154,937,000) term loan, £nil (2014: £nil) equity bridge loan and £nil (2014: £nil) standby facility. Loan issue costs in respect of these facilities have been deducted from the gross proceeds of the bank borrowings and are being amortised over the periods of the facilities as part of the finance costs in accordance with the provisions of FRS 102.

The term loan is repayable in six-monthly instalments which commenced on 31 March 2011 and end on 30 September 2030. Interest is charged on amounts drawn under the facilities based on floating LIBOR. There is a swap agreement effective from 28 July 2006 to 31 March 2030 which fixes the interest rate at 4.98% to be applied to the expected future borrowings under the facilities. The fair value of this financial instrument at 31 December 2015 was a liability of £35,668,000 (2014: £40,647,000 liability).

Notes (continued)

11 Creditors: Amounts falling due after more than one year (continued)

The facilities are secured, by way of first fixed charge, over all of the rights which the company now has and all of the rights which it acquires at any time in the future in land, equipment, investments, key contracts, key accounts, intellectual property, debts, goodwill and uncalled capital and in any rights accruing to, derived from or otherwise connected with them (including insurances and proceeds of disposals and of insurances). They are also secured by way of first floating charge, its undertaking and all present and future assets owned by or belonging to it otherwise than those effectively charged by way of a first fixed charge.

The shareholders of the company's immediate parent company, Eastbury Park (Holdings) Limited, subscribed to £19,520,000 of loan stock on 21 October 2010. The loan stock which is unsecured carries interest at 11% plus indexation and is repayable in instalments on or before 30 September 2030.

During the year an early redemption of subordinated debt was made of £2,750,000 (2014: £3,275,000). A compensation payment of £4,224,000 (2014: £4,344,000) was made to the subordinated debt loan note holders for future interest payments foregone due to early redemption of this debt.

12 Deferred tax asset

	2015 £000	2014 £000
At the beginning of the year	9,945	6,243
Credit to profit and loss account	186	868
Recognised directly in equity	(1,709)	2,834
At end of year	8,422	9,945
	2015 £000	2014 £000
The elements of the deferred tax asset are as follows:		
Deferred tax on revaluation of fair value of derivatives	6,420	8,129
Deferred tax on restatement of loan values using the effective interest rate method	(353)	(534)
Tax losses carried forward	2,355	2,350
	8,422	9,945

13 Capital and reserves

Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100	100

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.

Cash flow hedging reserve

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

Notes (continued)

14 Financial instruments

(a) Carrying amount of financial instruments

The carrying value of the financial assets and liabilities include:

	2015 £000	2014 £000
Assets measured at amortised cost		
- Finance debtor	144,335	148,935
- Trade and other debtors	1,069	2,066
 Assets measured at cost less impairment		
- Cash and cash equivalents	30,860	35,912
 Liabilities measured at amortised cost		
- Trade and other payables	27,124	26,937
- Bank loan	146,320	151,362
- Subordinated debt	12,170	16,451
 Liabilities measured at fair value through profit and loss		
- Interest rate swaps	35,668	40,647

(b) Financial instruments measured at fair value

Derivative financial instruments

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

Notes (continued)

14 Financial instruments (continued)

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

	Carrying amount £000	Within 1 year £000	2015 Between 1–2 years £000	Between 2–5 years £000	5 years and over £000
Interest rate swap	35,668	1,192	1,243	4,231	29,002
	Carrying amount £000	Within 1 year £000	2014 Between 1–2 years £000	Between 2–5 years £000	5 years and over £000
Interest rate swap	40,647	1,465	1,309	4,376	33,497

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2015 £000	2014 £000
Interest rate swap contracts	35,668	40,647

15 Related party disclosures

Director services were provided to the company during the year by companies related to InfraRed (Infrastructure) Capital Partners Limited at a cost of £149,000 (2014: £112,000). As at 31 December 2015 £40,000 (2014: £28,000) was owed to companies related to InfraRed (Infrastructure) Capital Partners Limited in respect of director services.

As at 31 December 2015 £6,418,000 (2014: £11,877,000) was owed to Infrastructure Investments General Partner Limited, comprising of compensation relating to the early repayment of the loan stock of £nil (2014: £2,172,000), loan repayable of £6,227,000 (2014: £9,358,000); and £191,000 (2014: £347,000) of accrued interest. An additional compensation payment of £2,112,000 relating to the early repayment of the loan stock was incurred and paid in the year.

As at 31 December 2015 £6,418,000 (2014: £8,476,000) was owed to InfraRed Infrastructure Yield General Partner Limited, comprising of compensation relating to the early repayment of the loan stock of £nil (2014: £233,000), loan repayable of £6,227,000 (2014: £7,897,000); and £191,000 (2014: £346,000) of accrued interest. An additional compensation payment of £2,112,000 relating to the early repayment of the loan stock was incurred and paid in the year.

Notes (continued)

16 Immediate parent company and controlling party

The company is a subsidiary of Eastbury Park (Holdings) Limited, a company incorporated in the United Kingdom.

The smallest and largest group in which the company's results are consolidated are Eastbury Park (Holdings) Limited. The financial statements are available to the public and may be obtained from:

Companies House
Crown Way
Cardiff
CF14 3UZ

17 Explanation of transition to FRS 102 from old UK GAAP

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

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.

In preparing its FRS 102 balance sheet, the Company 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 Company's financial position and financial performance is set out in the following tables.

Notes (continued)

17 Explanation of transition to FRS 102 from old UK GAAP (continued)

Reconciliation of equity

		1 January 2014			31 December 2014		
		UK GAAP	Effect of transition to FRS102	FRS102	UK GAAP	Effect of transition to FRS102	FRS102
		£000	£000	£000	£000	£000	£000
Current assets							
Debtors (due within 1 year)		4,320	-	4,320	6,668	-	6,668
Debtors (due after more than 1 year)	c	150,583	4,594	155,177	146,516	7,762	154,278
Cash at bank and in hand		40,402	-	40,402	35,912	-	35,912
		195,305	4,594	199,899	189,096	7,762	196,858
Creditors (due within one year)							
		(29,258)	-	(29,258)	(34,196)	-	(34,196)
Net current assets		166,047	4,594	170,641	154,900	7,762	162,662
Creditors: amounts falling due after more than one year							
	a	(172,498)	(22,973)	(195,471)	(163,492)	(37,979)	(201,471)
Net assets	b	(6,451)	(18,379)	(24,830)	(8,592)	(30,217)	(38,809)
Capital and reserves							
Called up share capital		100	-	100	100	-	100
Cashflow hedge reserve	a	-	(21,178)	(21,178)	-	(32,518)	(32,518)
Profit and loss account		(6,551)	2,799	(3,752)	(8,692)	2,301	(6,391)
Shareholders' equity		(6,451)	(18,379)	(24,830)	(8,592)	(30,217)	(38,809)

Notes to the reconciliation of equity

- a) The derivatives held by the entity, being interest rate SWAP contracts, have now been recognised in the balance sheet at their fair value under FRS 102. These have been accounted for as a cash flow hedge and therefore been recognised in a separate cash flow hedge reserve.
- b) Bank borrowing and subordinated debt due to the parent undertaking have now been recognised in the balance sheet using the Effective Interest Rate ("EIR") method under FRS102.
- c) A deferred tax asset has been recognised in respect of the fair value of the SWAP arrangements, bank borrowings and subordinated debt due to the parent undertaking. This has been recognised within non-current assets and movements on the deferred tax for the SWAP arrangements is taken to the cash flow hedge reserve and movements on the deferred tax for bank borrowings and subordinated debt due to the parent undertaking is taken to the profit and loss.

Notes (continued)

17 Explanation of transition to FRS 102 from old UK GAAP (continued)

Notes to the reconciliation of equity (continued)

The effect of each of the FRS 102 transition adjustments on each financial statement caption at 1 January 2014 and 31 December 2014 is as follows:

	1 January 2014			31 December 2014		
	a) SWAP	b) EIR	Effect of transition to FRS102	a) SWAP	b) EIR	Effect of transition to FRS102
	£000	£000	£000	£000	£000	£000
Current assets						
Debtors (due after more than 1 year)	5,295	(701)	4,594	8,129	(367)	7,762
Cash at bank and in hand	5,295	(701)	4,594	8,129	(367)	7,762
Creditors (due within one year)	-	-	-	-	-	-
Net current assets	5,295	(701)	4,594	8,129	(367)	7,762
Creditors: amounts falling due after more than one year	(26,473)	3,500	(22,973)	(40,647)	2,668	(37,979)
Net assets	(21,178)	2,799	(18,379)	(32,518)	2,301	(30,217)
Capital and reserves						
Cashflow hedge reserve	(21,178)	-	(21,178)	(32,518)	-	(32,518)
Profit and loss account	-	2,799	2,799	-	2,301	2,301
Shareholders' equity	(21,178)	2,799	(18,379)	(32,518)	2,301	(30,217)

Notes (continued)

17 Explanation of transition to FRS 102 from old UK GAAP (continued)

Reconciliation of profit for the year ended 31 December 2014

	UK GAAP £000	2014 Effect of transition to FRS102 £000	FRS102 £000
Turnover	28,116	-	28,116
Other operating charges	<u>(25,933)</u>	<u>-</u>	<u>(25,933)</u>
Operating profit	2,183	-	2,183
Interest payable and similar charges	d (16,328)	(831)	(17,159)
Interest receivable and similar income	<u>11,469</u>	<u>-</u>	<u>11,469</u>
Profit on ordinary activities before taxation	(2,676)	(831)	(3,507)
Taxation on profit on ordinary activities	e <u>535</u>	<u>333</u>	<u>868</u>
Profit for the financial year	<u>(2,141)</u>	<u>(498)</u>	<u>(2,639)</u>

d) Bank borrowing and subordinated debt due to the parent undertaking have now been recognised in the balance sheet using the Effective Interest Rate ("EIR") method under FRS102, this is the impact on the interest payable charge to Profit and Loss.

e) Deferred tax impact of the above.

18 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect of 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 of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.