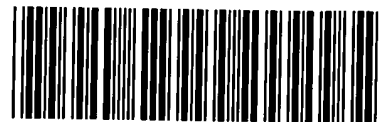


Eastbury Park Limited

Annual report and financial statements
For the year ended 31 December 2016

Registered number 5839649

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Strategic report for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

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 9 and relates to the operating activities during the year. The directors do not recommend the payment of a dividend (2015: £nil). The accounts show a profit after tax for the year of £2,486,000 (2015: loss of £1,057,000). The key reason for the change in profitability is a compensation payment made to the subordinated loan note holders in 2015 for the early redemption of subordinated debt. In 2016 there was no early redemption of subordinated debt and hence no compensation payment was made in 2016.

The Group's turnover is stable as it is based on based on fixed long term contracts.

During the year an early redemption of subordinated debt was made of £nil (2015: £2,750,000). A compensation payment of £nil (2015: £4,224,000) was made to the subordinated debt loan note holders for future interest payments foregone due to early redemption of this debt.

Although the Group's profitability improved, the net liability position increased as a result of an increased liability relating to the interest rate swap.

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.

Strategic report for the year ended 31 December 2016 (*continued*)

Principal risks and uncertainties (*continued*)

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.

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 2016 £nil (2015: £nil) 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

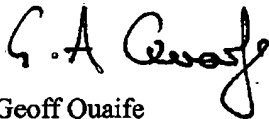
The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory. Profit before tax for the year is £3,464,000 (2015: loss of £1,243,000), the increase being attributable mainly to a compensation payment on the early redemption of subordinated debt of £nil (2015: £4,224,000). 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 2016, and in future years, which are based on fixed long term contracts; are in line with the directors' expectations.

Strategic report for the year ended 31 December 2016 (*continued*)

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 27 September 2017 and signed on its behalf by



Geoff Quaife
Director

8 White Oak Square
London Road
Swanley
Kent
BR8 7AG

Directors' report for the year ended 31 December 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

Results and dividends

The profit and loss account is set out on page 9 and relates to the operating activities during the year. The directors do not recommend the payment of a dividend (2015: £nil).

Directors

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

M Holden	(resigned 2 January 2017)
R Newton	
G Quaife	
M Wayment	
R Driver	(appointed 2 January 2017)

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. These are provided by companies related to the parent undertakings of the Company.

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 2016, 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 (2015: £nil) political donations.

During the year, the company has made £nil (2015: £10,000) 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 2016 (continued)

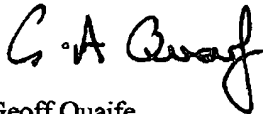
Disclosure of information to auditor

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 27 September 2017 and signed on its behalf by



Geoff Quaife
Director

8 White Oak Square
London Road
Swanley
Kent
BR8 7AG

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 2016 set out on pages 9 to 23. 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Richard Lomax (Senior Statutory Auditor)

2 October 2017

For and on behalf of KPMG LLP Statutory Auditor

Chartered Accountants
3 Assembly Square
Cardiff
CF10 4AX

Profit and loss account and statement of other comprehensive income
for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Turnover	2	30,943	30,513
Other operating charges		<u>(27,861)</u>	<u>(27,350)</u>
Operating profit	3	3,082	3,163
Interest payable and similar expenses	5	(10,395)	(15,545)
Interest receivable and similar income	6	10,777	11,139
Profit/(loss) before taxation		<u>3,464</u>	<u>(1,243)</u>
Taxation on profit/(loss)	7	<u>(978)</u>	<u>186</u>
Profit/(loss) for the financial year		<u>2,486</u>	<u>(1,057)</u>
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	(6,602)	4,979
Tax recognised in relation to fair value changes in cashflow hedge	7	<u>766</u>	<u>(1,709)</u>
Other comprehensive (expense)/income for the year		<u>(5,836)</u>	<u>3,270</u>
Total comprehensive (expense)/income for the year		<u>(3,350)</u>	<u>2,213</u>

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 12 to 23 form an integral part of these financial statements.

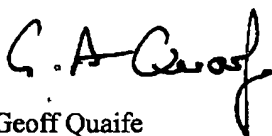
Balance sheet
at 31 December 2016

	Notes	2016 £000	2015 £000
Current assets			
Debtors: Amounts falling due within one year	8	5,546	6,017
Debtors: Amounts falling due after one year	9	142,281	147,809
Cash		43,434	30,860
		<u>191,261</u>	<u>184,686</u>
Current liabilities			
Creditors: Amounts falling due within one year	10	(40,520)	(31,930)
Net current assets and total assets less current liabilities		<u>150,741</u>	<u>152,756</u>
Creditors: Amounts falling due after more than one year	11	(190,687)	(189,352)
Net liabilities		<u>(39,946)</u>	<u>(36,596)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		(4,962)	(7,448)
Cash flow hedge reserve		(35,084)	(29,248)
Equity shareholder's deficit		<u>(39,946)</u>	<u>(36,596)</u>

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

27/9/17

These financial statements were approved by the board of directors on ~~27/9/17~~ 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 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	100	(29,248)	(7,448)	(36,596)
Balance at 1 January 2016	100	(29,248)	(7,448)	(36,596)
Total comprehensive income for the period				
Profit	-	-	2,486	2,486
Other comprehensive expense	-	(5,836)	-	(5,836)
Total comprehensive income for the period	-	(5,836)	2,486	(3,350)
Balance at 31 December 2016	100	(35,084)	(4,962)	(39,946)

The notes on pages 12 to 23 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 England 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 amendments to FRS102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

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.

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 17.

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 company has net liabilities of £39,946,000 (2015: £36,596,000) which includes an interest rate swap liability of £42,270,000 (2015: £35,668,000). Profit and loss reserves are negative £4,962,000 (2015: negative £7,448,000) as a result primarily of two early redemptions of subordinated debt with compensation payments made to the subordinated debt loan note holders for interest income foregone as a result of the early redemptions. The company continues to generate cash and has a cash balance of £43,434,000 (2015: £30,860,000). 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 despite the net liability position, 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 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.

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 £19,765,000 (2015: £18,119,000) restricted from use in the business as held in the company's reserve accounts under the terms of its senior loan facility.

Notes (continued)

1 Accounting policies (continued)

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.

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 Company took the transition exemption under FRS 102 section 35.10(i) which allows the company to continue the service concession arrangement accounting policies from previous UK GAAP. The treatment considers the underlying asset as not an asset of the Company under FRS 102 section 34C because the risks and rewards of ownership set out in previous UK GAAP are deemed to lie principally with the South Ayrshire Council.

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

Notes (continued)

1 Accounting policies (continued)

1.7 Finance debtor and services income (continued)

finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with old UK GAAP. 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.

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.

Notes (continued)

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.

3 Operating profit

The following costs were incurred during the year.

	2016 £000	2015 £000
Auditor's remuneration – audit of these financial statements	11	12
Auditor's remuneration – tax compliance services	3	-
	<u>14</u>	<u>12</u>

4 Staff costs

There were no employees during the year (2015: none). The directors have no contract of service with the company (2015: none). Amounts payable to third parties in respect of directors' services totalled £162,000 (2015: £149,000), see Note 15.

5 Interest payable and similar expenses

	2016 £000	2015 £000
Bank borrowings	(8,700)	(9,085)
Loan stock	(1,695)	(2,236)
Loan stock buyback compensation	-	(4,224)
	<u>(10,395)</u>	<u>(15,545)</u>

6 Interest receivable and similar income

	2016 £000	2015 £000
Interest receivable on contract debtor	10,741	11,097
Bank interest receivable	36	38
HMRC interest receivable	-	4
	<u>10,777</u>	<u>11,139</u>

Notes (continued)

7 Taxation on profit/(loss)

	2016 £000	2015 £000
<i>a) Analysis of tax charge/(credit) for the year</i>		
Current tax		
UK corporation tax	7	-
Deferred tax		
Origination and reversal of timing differences	665	(224)
Effect of decreased tax rate on opening deferred tax asset	61	165
Restatement of loan values using the effective interest rate method	(48)	(127)
Adjustment in respect of previous period	293	-
Total taxation recognised in profit and loss account	<u>978</u>	<u>(186)</u>

	Current tax	2016 Deferred tax	Total tax	Current tax	2015 Deferred tax	Total tax
Recognised in profit and loss account	7	971	978	-	(186)	(186)
Recognised directly in other comprehensive income	-	(766)	(766)	-	1,709	1,709
Total tax	<u>7</u>	<u>205</u>	<u>212</u>	<u>-</u>	<u>1,523</u>	<u>1,523</u>

b) Reconciliation of current tax charge included in profit and loss

The UK standard rate of corporation tax for the period is 20% (2015: 20.25%).

	2016 £000	2015 £000
<i>Reconciliation of effective tax rate</i>		
Profit/ (loss) before tax	<u>3,464</u>	<u>(1,243)</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	693	(252)
Effect of:		
Permanent differences	(69)	(99)
Effect of decreased tax rate on opening deferred tax asset	61	165
Adjustment in respect of previous period	293	-
Tax charge/(credit) for the year	<u>978</u>	<u>(186)</u>

Notes (continued)

7 Taxation on profit/(loss) (continued)

c) Factors affecting the tax charges in future years

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

8 Debtors: Amounts falling due within one year

	2016 £000	2015 £000
Finance debtor	5,321	4,948
Prepayments and accrued income	225	1,069
	<u>5,546</u>	<u>6,017</u>

9 Debtors: Amounts falling due after more than one year

	2016 £000	2015 £000
Deferred tax (see note 12)	8,217	8,422
Finance debtor	134,064	139,387
	<u>142,281</u>	<u>147,809</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

	2016 £000	2015 £000
Bank borrowings	5,205	4,923
Loan stock interest	1,268	382
Loan stock (see note 11)	368	261
Trade creditors	-	124
Accruals and deferred income	7,712	2,523
Unitary charge control account	25,967	23,051
Other taxation	-	666
	<u>40,520</u>	<u>31,930</u>

Notes (continued)

11 Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Bank borrowings	136,313	141,397
Loan Stock	11,726	11,909
Deferred income	378	378
Other financial instruments (see note 14)	42,270	35,668
	<u>190,687</u>	<u>189,352</u>

The bank borrowings are repayable as follows:	2016 £000	2015 £000
Within one year	5,205	4,923
Between one and two years	5,574	5,205
Between two and five years	18,785	17,716
Greater than five years	<u>114,796</u>	<u>121,440</u>
	<u>144,360</u>	<u>149,284</u>

The Loan Stock is repayable as follows:	2016 £000	2015 £000
Within one year	368	261
Between one and two years	242	195
Between two and five years	1,140	932
Greater than five years	<u>10,593</u>	<u>10,782</u>
	<u>12,343</u>	<u>12,170</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 2016 £144,360,000 (2015: £149,351,000) has been drawn comprising £144,360,000 (2015: £149,351,000) term loan, £nil (2015: £nil) equity bridge loan and £nil (2015: £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 2016 was a liability of £42,270,000 (2015: £35,668,000 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 £nil (2015: £2,750,000). A compensation payment of £nil (2015: £4,224,000) 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

	2016 £000	2015 £000
At the beginning of the year	8,422	9,945
Credit to profit and loss account	(971)	186
Recognised directly in equity	766	(1,709)
At end of year	<u>8,217</u>	<u>8,422</u>
	2016 £000	2015 £000
The elements of the deferred tax asset are as follows:		
Deferred tax on revaluation of fair value of derivatives	7,186	6,420
Deferred tax on restatement of loan values using the effective interest rate method	(363)	(353)
Tax losses carried forward	1,394	2,355
	<u>8,217</u>	<u>8,422</u>

13 Capital and reserves

Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

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:

	2016 £000	2015 £000
Assets measured at amortised cost		
- Finance debtor	139,385	144,335
- Trade and other debtors	225	1,069
Assets measured at cost less impairment		
- Cash and cash equivalents	43,434	30,860
Liabilities measured at amortised cost		
- Trade and other payables	35,325	27,124
- Bank loan	141,518	146,320
- Subordinated debt	12,094	12,170
Liabilities measured at fair value through profit and loss		
- Interest rate swaps	42,270	35,668

(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	2016 Between 1–2 years £000	Between 2– 5 years £000	5 years and over £000
Interest rate swap	42,270	6,225	5,866	14,801	19,065
	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	5,968	4,884	9,798	15,631

(d) Fair values

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

	2016 £000	2015 £000
Interest rate swap contracts	42,270	35,668

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 £162,000 (2015: £149,000). As at 31 December 2016 £nil (2015: £40,000) was owed to companies related to InfraRed (Infrastructure) Capital Partners Limited in respect of director services.

As at 31 December 2016 £6,681,000 (2015: £6,418,000) was owed to Infrastructure Investments General Partner Limited, comprising a loan repayable of £6,047,000 (2015: £6,227,000); and £634,000 (2015: £191,000) of accrued interest.

As at 31 December 2016 £6,681,000 (2014: £6,418,000) was owed to InfraRed Infrastructure Yield General Partner Limited, comprising a loan repayable of £6,047,000 (2015: £6,227,000); and £634,000 (2015: £191,000) of accrued interest.

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, whose registered address is 8 Whiteoak Square, London Road, Swanley, Kent BR8 7AG.

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 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 an estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

18 Subsequent events

Subsequent to the year end an early redemption of subordinated debt of £2,070,000 was approved. A compensation payment of £3,179,000 to be made to the subordinated debt loan note holders for future interest payments forgone due to the early redemption of this debt was also approved.