COMPANY REGISTRATION NUMBER: 05959193

Clackmannanshire Schools Education Partnership Limited

Financial Statements

31 December 2015

Clackmannanshire Schools Education Partnership Limited

Financial Statements

Year ended 31 December 2015

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Clackmannanshire Schools Education Partnership Limited

Strategic Report

Year ended 31 December 2015

Principal activities and business review

The principal activity of the company is the provision of operational and maintenance services, including related financing arrangements for three schools in Clackmannanshire (Alloa, Lornshill and Alva Academies), in accordance with a project agreement the company entered into with Clackmannanshire Council.

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

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

The result for the company for the year is shown in the Profit and Loss Account on page 7.

Principal risks and uncertainties

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

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

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

Financial risk management

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

The company's financial instruments comprise floating and fixed rate borrowings, the main purpose of which is to raise finance for the company's operations. The company does use derivative financial instruments and has entered into interest rate swaps, the purpose of which is to manage interest rate risk on the company's floating rate borrowings.

In order to match the amount of fixed costs (principally borrowing costs), the company has put in place an RPI swap whereby it pays out an element of its RPI linked income to receive fixed rate income. The company has fixed the RPI rate at 2.95% per annum.

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

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

Interest rate cash flow risk
The company seeks to minimise its exposure to an upward change in interest rates by both borrowing at fixed rates and borrowing at floating rates and using interest rate swaps to convert such borrowings from floating to fixed rates. At the year end all the company's floating rate borrowings were at fixed rates after taking account of interest rate swaps.

Clackmannanshire Schools Education Partnership Limited

Strategic Report *(continued)*

Year ended 31 December 2015

Financial risk management (continued)

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

Key performance indicators

1. Performance deductions under the service contract
Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These deductions are passed on to the service provider. In the year ended 31 December 2015, deductions of £30,000 (2014: £21,000) had been levied which represents 0.92% (2014: 0.70%) of revenue. The directors believe the performance for the year to be satisfactory.

2. Financial performance
The directors have modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 December 2015, the company's performance against this measure was satisfactory.

Going concern

The directors have reviewed the company's projected cashflows by reference to a financial model covering accounting periods up to 31 December 2040. The directors have also examined the current status of the company's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the company will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is appropriate for the financial statements of the company to be prepared on a going concern basis.

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

A Naafs
Director

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

Clackmannanshire Schools Education Partnership Limited

Directors' Report

Year ended 31 December 2015

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

Directors

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

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

Dividends

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

Future developments

The project continues to perform in line with the modelled expectations and management of the scheme both logistically and financially remains under control. We remain confident that we will maintain our current level of performance and keep penalty payments to a minimum.

Donations

The company made no political donations during the year (2014: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

A Naafs
Director

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

Clackmannanshire Schools Education Partnership Limited

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

Year ended 31 December 2015

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 period.

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 the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Clackmannanshire Schools Education Partnership Limited

Independent Auditor's Report to the Members of Clackmannanshire Schools Education Partnership Limited

Year ended 31 December 2015

We have audited the financial statements of Clackmannanshire Schools Education Partnership Limited for the year ended 31 December 2015, set out on pages 7 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).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

27 September 2016

Amanda Moses (Senior Statutory Auditor)

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

Clackmannanshire Schools Education Partnership Limited

Profit and Loss Account and Statement of Other Comprehensive Income

Year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	3	3,259	3,007
Operating costs		(2,866)	(2,625)
Operating profit		393	382
Other interest receivable and similar income	6	3,283	3,317
Interest payable and similar charges	7	(3,626)	(3,693)
Profit on ordinary activities before taxation		50	6
Tax on loss on ordinary activities	8	(10)	(1)
Profit for the financial year		40	5
Fair value movements on cash flow hedging instruments		2,098	(7,496)
Tax recognised in relation to change in fair value cash flow hedges	8	(795)	1,499
Other comprehensive income for the year		1,303	(5,997)
Total comprehensive income for the year		1,343	(5,992)

All the activities of the company are from continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

Clackmannanshire Schools Education Partnership Limited

Balance Sheet

31 December 2015

	Note	2015 £000	2015 £000	2014 £000
Current assets				
Debtors (including £56,578,000 (2014: £58,493,000) due after more than one year	9	58,757		59,722
Cash at bank and in hand		4,153		4,017
Total current assets		62,910		63,739
Creditors: amounts falling due within one year	10	(2,632)		(2,140)
Net current assets			60,278	61,599
Total assets less current liabilities			60,278	61,599
Creditors: amounts falling due after more than one year	11		(74,395)	(77,059)
Net liabilities			(14,117)	(15,460)
Capital and reserves				
Called up share capital	14		10	10
Share premium account	16		90	90
Cashflow hedge reserve	16		(15,371)	(16,674)
Profit and loss account	16		1,154	1,114
Total shareholder's deficit			(14,117)	(15,460)

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

A Naafs
Director

Company registration number: 05959193

The notes on pages 10 to 23 form part of these financial statements.

Clackmannanshire Schools Education Partnership Limited

Statement of Changes in Equity

Year ended 31 December 2015

	Note	Called up share capital £000	Share premium account £000	Cashflow hedge reserve £000	Profit and loss account £000	Total £000
At 1 January 2014		10	90	(10,677)	1,109	(9,468)
Profit for the year					5	5
Other comprehensive income for the year:						
Fair value movements on cash flow hedging instruments		–	–	(7,496)	–	(7,496)
Tax recognised in relation to change in fair value cash flow hedges	8	–	–	1,499	–	1,499
Total comprehensive income for the year		–	–	(5,997)	5	(5,992)
At 31 December 2014		10	90	(16,674)	1,114	**(15,460)**
Profit for the year					40	**40**
Other comprehensive income for the year:						
Fair value movements on cash flow hedging instruments		–	–	2,098	–	**2,098**
Tax recognised in relation to change in fair value cash flow hedges	8	–	–	(795)	–	**(795)**
Total comprehensive income for the year		–	–	1,303	40	**1,343**
At 31 December 2015		10	90	(15,371)	1,154	**(14,117)**

The notes on pages 10 to 23 form part of these financial statements.

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements

Year ended 31 December 2015

1. Statement of compliance

Clackmannanshire Schools Education Partnership 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 several 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 19.

The Company's parent undertaking, Clackmannanshire Schools Education Partnership (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Clackmannanshire Schools Education Partnership (Holdings) Limited are prepared in accordance with FRS 102 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 exemption available under FRS 102 in respect of the following disclosure:

- Cash Flow Statement and related notes.

As the consolidated financial statements of Clackmannanshire Schools Education Partnership (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 20.

2. Accounting policies

Measurement convention

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

Going concern

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

2. Accounting policies *(continued)*

Turnover

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

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

All turnover originates in the United Kingdom

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is recognised on trading losses carried forward and on the fair value of the swap derivatives.

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.

2. **Accounting policies** *(continued)*

Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and treasury deposits.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,193,000 at the year end (2014: £896,000).

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 an interest rate swap and a RPI swap 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.

2. Accounting policies *(continued)*

Finance debtor

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

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS 102 section 34.12C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and the finance debtor using a project specific interest rate in accordance with FRS 102 section 25.2D. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23.22(a). 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.

Expenses

Interest receivable and interest payable

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

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

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

3. Turnover

Turnover arises from:

	2015	2014
	£000	£000
Service income	3,259	3,007

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

4. Auditor's remuneration

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

In addition the company bore the audit fee of £2,000 (2014: £2,000) of its immediate parent undertaking during the year.

5. Staff costs and directors' remuneration

The company had no employees during the year (2014: nil). No key personnel received any remuneration during the year (2014: £nil). The directors have no contract of service with the company. During the year the company incurred charges of £73,000 (2014: £70,000) from BBGI Management HoldCo S.a.r.l. (the immediate parent undertaking of BBGI Investments S.C.A.), for making available the services of the directors.

6. Other interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	5	6
Finance debtor interest receivable	3,278	3,311
	3,283	3,317

Interest is imputed on the finance debtor using the property specific rate of 6.00%.

7. Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on bank loan	2,939	3,000
Interest payable on subordinated debt	663	669
Other interest payable and similar charges	24	24
	3,626	3,693

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

8. Tax on loss on ordinary activities

Major components of tax expense

The tax charge in the year is made up as follows:

	2015 £000	2014 £000
Current tax:		
UK current tax expense	10	1
Tax on loss on ordinary activities	10	1

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £795,000 (2014: £(1,499,000)).

8. Tax on loss on ordinary activities *(continued)*

Reconciliation of tax expense

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

	2015 £000	2014 £000
Profit on ordinary activities before taxation	50	6
Profit on ordinary activities by rate of tax	10	1

Factors that may affect future tax expense

The reduction in the rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. In the budget on 8 July 2015, the Chancellor of the Exchequer announced that the UK Corporation Tax rate will reduce to 19% in 2017 and 18% in 2020. In the budget on 16 March 2016, the Chancellor announced a further reduction of 1% in the UK Corporation Tax rate to 17% from 1 April 2020. This will also reduce the company's future current tax charge accordingly.

9. Debtors

	2015 £000	2014 £000
Trade debtors	1,018	123
Deferred tax asset	3,374	4,169
Prepayments and accrued income	22	23
Other debtors	19	27
Finance debtor	54,324	55,380
	58,757	59,722

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

	2015 £000	2014 £000
Deferred tax asset	3,374	4,169
Finance debtor	53,204	54,324
	56,578	58,493

10. Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	186	63
Accruals and deferred income	973	684
Other taxation	391	267
Bank loan	781	821
Subordinated debt	229	233
Retention	72	72
	2,632	2,140

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

	2015	2014
	£000	£000
Bank loan	48,977	49,733
Subordinated debt	5,591	5,635
Corporation tax	288	289
SWAP liability	18,745	20,843
Accruals and deferred income	794	559
	74,395	77,059

Included within Bank loan is an amount repayable after five years of £45,523,000 (2014: £46,573,000) and included within subordinated debt are amounts repayable after five years of £5,591,000 (2014: £5,635,000) respectively.

Bank loan relates to senior secured funding totalling £76,018,000 granted by a consortium of banks led by Bank of Scotland.

The senior loan facility of £76,018,000 consists of three separate facilities; a change in law facility of £2,058,000 which has not yet been drawn down, a debt service reserve facility of £2,800,000 which has not yet been drawn down and a term loan facility of £71,160,000 which is repayable in fifty nine six-monthly instalments ending 30 September 2038. As at 31 December 2015, the total amount outstanding on the facility is £50,181,000 (2014: £51,002,000). Interest is charged on amounts drawn under the facility at LIBOR + 0.80%.

The senior loan facility is secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

Subordinated debt represents a £5,591,000 (2014: £5,635,000) unsecured subordinated loan facility due to BBGI Investments S.C.A. (100%). The subordinated loan facility bears interest at a fixed rate of 11.85% and is fully repayable by 2039.

12. Deferred tax

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

	2015	2014
	£000	£000
Deferred tax on revaluation of fair value of derivatives	**3,374**	4,169

13. Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2015	2014
	£000	£000
Financial assets		
Financial assets measured at amortised cost - finance debtor, trade and other debtors	**55,342**	55,503
Financial assets measured at cost less impairment - cash and cash equivalents	**4,153**	4,017
Financial liabilities		
Financial liabilities measured at fair value – RPI and interest rate swap	**(18,745)**	(20,843)
Financial liabilities measured at fair value through profit or loss	**(55,766)**	(56,486)

13. Financial instruments *(continued)*

(b) Financial instruments measured at fair value

Derivative financial instruments

Market values have been used to determine the fair values of the swap arrangements.

(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	Between 1 - 2 years £000	Between 2 - 5 years £000	5 years and over £000
31 December 2015					
Interest rate swap	**(17,745)**	**(2,013)**	**(1,741)**	**(4,293)**	**(12,161)**
RPI swap	**(1,000)**	**(16)**	**(14)**	**(29)**	**392**
	(18,745)	**(2,029)**	**(1,755)**	**(4,322)**	**(11,769)**
31 December 2014					
Interest rate swap	(19,286)	(2,129)	(2,013)	(4,710)	(13,485)
RPI swap	(1,557)	(27)	(16)	(35)	384
	(20,843)	(2,156)	(2,029)	(4,745)	(13,101)

The company has entered into swap arrangements with Bank of Scotland plc in order to fix the base interest rate (LIBOR) at 4.885% on the loan facility to 2038. At the year end all the company's floating rate borrowings were at fixed rates after taking account of interest rate swaps.

(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 contract	**(17,745)**	(19,286)
RPI swap contract	**(1,000)**	(1,557)
	(18,745)	(20,843)

14. Called up share capital

Issued, called up and fully paid

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

15. Share premium account

There was no movement on the share premium account during the financial year.

16. Reserves

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.

17. Related party transactions

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

	Operating expenses		Payables to	
	2015	2014	**2015**	2014
	£000	£000	£000	£000
BBGI Management HoldCo S.a.r.l.	73	70	18	18

18. Ultimate parent company and parent company of larger group

The company is a wholly owned subsidiary of Clackmannanshire Schools Education Partnership (Holdings) Limited ('the immediate parent undertaking').

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

BBGI Investments S.C.A. is an indirect and wholly owned subsidiary of BBGI SICAV S.A., a Luxembourg investment company listed on the London Stock Exchange.

BBGI SICAV S.A. is the ultimate parent undertaking and controlling party during both the years ended 31 December 2015 and 31 December 2014. The largest group in which the results of the Company are consolidated is that headed by Clackmannanshire Schools Education Partnership (Holdings) Limited, incorporated in the United Kingdom.

19. 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.

Reconciliation of equity as at 1 January 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Current assets				
Debtors	*b, c, d*	56,148	3,342	59,490
Cash at bank and in hand		3,355	–	3,355
		59,503	3,342	62,845
Creditors: amounts falling due within one year	*c*	(2,408)	651	(1,757)
Net current assets		57,095	3,993	61,088
Creditors: amounts falling due after more than one year	*a, c, e*	(57,197)	(13,359)	(70,556)
Net liabilities		(102)	(9,366)	(9,468)
Capital and reserves				
Called up share capital		10	–	10
Share premium account		90	–	90
Cashflow hedge reserve	*a*	–	(10,677)	(10,677)
Profit and loss account	*f*	(202)	1,311	1,109
Shareholder's equity		(102)	(9,366)	(9,468)

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

Reconciliation of equity as at 31 December 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Current assets				
Debtors	*b, c, d*	55,394	4,328	59,722
Cash at bank and in hand		4,017	–	4,017
		59,411	4,328	63,739
Creditors: amounts falling due within one year	*c*	(2,783)	643	(2,140)
Net current assets		56,628	4,971	61,599
Creditors: amounts falling due after one year	*a, c, e*	(56,691)	(20,368)	(77,059)
Net liabilities		(63)	(15,397)	(15,460)
Capital and reserves				
Called up share capital		10	–	10
Share premium account		90	–	90
Cashflow hedge reserve	*a*	–	(16,674)	(16,674)
Profit and loss account	*f*	(163)	1,277	1,114
Shareholder's equity		(63)	(15,397)	(15,460)

Notes to the reconciliation of equity

a) The derivatives held by the entity, being an interest rate SWAP contract and a RPI SWAP contract, have been recognised in the balance sheet at their fair value under FRS 102. The fair value of the SWAP arrangement is £(20,843,000) (1 January 2014: £13,347,000)). These have been accounted for as a cash flow hedge and therefore been recognised in a separate cash flow hedge reserve.

b) A deferred tax asset of £4,169,000 (1 January 2014: £2,669,000) has been recognised on the fair value of the SWAP arrangement within current assets. The deferred tax movement of £1,500,000 (1 January 2014: £2,699,000) on the fair value of the SWAP arrangement is taken to the cash flow hedge reserve.

c) The effective interest rate adjustment within creditors: amounts due within one year is £643,000 (1 January 2014: £651,000). The effective interest rate adjustment within creditors: amounts falling due after more than one year is £(792,000) (1 January 2014: £(286,000)).

The effective interest rate adjustment to the Unitary Charge Control Account within creditors: amounts falling due after more than one year is an increase of £761,000 (1 January 2014: £780,000).

The net adjustment to the finance debtor is £201,000 (1 January 2014: £723,000). This includes an adjustment of £(207,000) (1 January 2014: £293,000) as a result of replacing capitalised borrowing costs of £4,643,000 under old UK GAAP with capitalised effective interest of £4,436,000 under FRS 102. The adjustment to capitalised interest of £(207,000) has been offset by a reduction in the amortisation of the finance debtor of £408,000 (1 January 2014: £430,000) as a result of changing the finance debtor.

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

d) The transition to FRS 102 has resulted in a reduction in the deferred tax asset relating to trading losses of £41,000 (1 January 2014: £51,000), using the effective interest rate method. The reduction in the deferred tax asset relating to trading losses has been recognised within current assets.

e) The transition to FRS 102 has resulted in an increase in the corporation tax liability of £309,000 (1 January 2014: £418,000), using the effective interest rate method. The increase in the corporation tax liability has been recognised within creditors: amounts falling due after more than one year.

f) Within the profit and loss account the net effect of the adjustments is £1,277,000 (1 January 2014: £1,311,000).

Reconciliation of Profit and Loss Account and Statement of Other Comprehensive Income for the year ended 31 December 2014

	Note	**UK GAAP £000**	**Effect of transition to FRS 102 £000**	**FRS 102 £000**
Turnover	*c*	**3,049**	**(42)**	**3,007**
Operating costs		**(2,625)**	**–**	**(2,625)**
Operating profit		**424**	**(42)**	**382**
Other interest receivable and similar income		**3,317**	**–**	**3,317**
Interest payable and similar charges	*d*	**(3,692)**	**(1)**	**(3,693)**
Profit on ordinary activities before taxation		**49**	**(43)**	**6**
Taxation	*e*	**(10)**	**9**	**(1)**
Profit for the year		**39**	**(34)**	**(5**
Fair value movements on cash flow hedging instruments	*a*	**–**	**(7,496)**	**(7,496)**
Tax recognised in relation to change in fair value cash flow hedges	*b*	**–**	**1,499**	**1,499**
Other comprehensive income for the year		**–**	**(5,997)**	**(5,997)**
Total comprehensive income for the year		**39**	**(6,031)**	**(5,992)**

Notes to the reconciliation of profit

a) The fair value movement of £10,166,000 on the SWAP arrangement is recognised as other comprehensive income.

b) The deferred tax asset movement of £4,169,000 on the fair value of the SWAP arrangement is recognised as other comprehensive income.

c) Revenue of £(42,000) is recognised in the profit and loss account.

d) Interest payable and similar charges are recognised using the effective interest rate method. The effective interest rate adjustment of £1,000 is taken to the profit and loss account.

e) Taxation of £9,000 is calculated using the standard rate of corporation tax in the UK

20. Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Certain critical accounting judgements in applying the company's accounting policies are described below:

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