

Clackmannanshire Schools Education Partnership Limited
Financial Statements
31 December 2017



Clackmannanshire Schools Education Partnership Limited

Financial Statements

Year ended 31 December 2017

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Clackmannanshire Schools Education Partnership Limited

Directors' Report

Year ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

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, Lornhill 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 the period to 2 March 2039, 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 result for the company for the year is shown in the Profit and Loss Account on page 7.

Directors

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

A Naafs
F Schramm

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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Dividends

The directors have recommended dividends of £180,000 to be paid in addition to the dividends of £1,015,000 paid during the year (2016: £nil).

Small company exemption

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The directors have taken advantage of the small companies exemptions provided by Sections 415A and 415B of the Companies Act 2006, which includes those in relation to the exemption from certain requirements of the Directors' report and the available exemption to not prepare a Strategic report.

Clackmannanshire Schools Education Partnership Limited

Directors' Report *(continued)*

Year ended 31 December 2017

Donations

The company made no political donations during the year (2016: £nil).


Independent auditors

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

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 29 June 2018 and signed on behalf of the Board by:



A Naafs
Director

Clackmannanshire Schools Education Partnership Limited

Directors' Responsibilities Statement

Year ended 31 December 2017

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board by:



A. Naafs
Director

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

Date: 29 June 2018

Clackmannanshire Schools Education Partnership Limited

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

Year ended 31 December 2017

Report on the audit of the financial statements

Opinion

In our opinion, Clackmannanshire Schools Education Partnership Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Profit and Loss Account and Statement of Other Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Clackmannanshire Schools Education Partnership Limited

Independent Auditors' Report to the Members of Clackmannanshire Schools Education Partnership Limited (continued)

Year ended 31 December 2017

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Clackmannanshire Schools Education Partnership Limited

Independent Auditors' Report to the Members of Clackmannanshire Schools Education Partnership Limited *(continued)*

Year ended 31 December 2017

Reporting on other information *(continued)*

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

29 June 2018

Clackmannanshire Schools Education Partnership Limited

Profit and Loss Account and Statement of Other Comprehensive Income

Year ended 31 December 2017

Year ended 31 December 2017

		2017	2016
	Note	£000	Restated* £000
Turnover	4	3,307	3,462
Cost of sales		(2,729)	(2,957)
Operating costs		(112)	(97)
Operating profit		466	408
Other interest receivable and similar income	7	3,167	3,242
Interest payable and similar expenses	8	(3,531)	(3,571)
Profit before taxation		102	79
Tax on profit	9	27	(47)
Profit for the financial year		129	32
Fair value movements on cash flow hedging instruments		1,832	(5,559)
Tax recognised in relation to change in fair value cash flow hedges	9	(312)	758
Other comprehensive income for the year		1,520	(4,801)
Total comprehensive income for the financial year		1,649	(4,769)

All the activities of the company are from continuing operations.

The notes on pages 10 to 19 form part of these financial statements.

*See note 4 regarding the prior year restatement.

Clackmannanshire Schools Education Partnership Limited

Balance Sheet

31 December 2017

	Note	2017 £000	2016 £000
Current assets			
Debtors: due within one year	11	2,303	2,904
Debtors: due after more than one year	11	54,572	56,146
Cash at bank and in hand		3,647	3,714
		<u>60,522</u>	<u>62,764</u>
Creditors: amounts falling due within one year	12	<u>(2,776)</u>	<u>(2,805)</u>
Net current assets		<u>57,746</u>	<u>59,959</u>
Total assets less current liabilities		<u>57,746</u>	<u>59,959</u>
Creditors: amounts falling due after more than one year	13	<u>(76,178)</u>	<u>(78,845)</u>
Net liabilities		<u>(18,432)</u>	<u>(18,886)</u>
Capital and reserves			
Called up share capital	15	10	10
Share premium account	16	90	90
Cashflow hedge reserve	17	(18,652)	(20,172)
Profit and loss account		120	1,186
Total equity		<u>(18,432)</u>	<u>(18,886)</u>

The notes on pages 10 to 19 form part of these financial statements.

The financial statements on pages 7 to 19 were approved by the Board of directors on 29 June 2018,
and signed on behalf of the Board by:


A. Naafs
Director

Company registration number: 05959193

Clackmannanshire Schools Education Partnership Limited

Statement of Changes in Equity

Year ended 31 December 2017

	Note	Called up share capital £000	Share premium account £000	Cashflow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2016		10	90	(15,371)	1,154	(14,117)
Profit for the financial year		–			32	32
Other comprehensive income for the year:						
Fair value movements on cash flow hedging instruments		–	–	(5,559)	–	(5,559)
Tax recognised in relation to change in fair value cash flow hedges	9	–	–	758	–	758
Total comprehensive income for the financial year		–	–	(4,801)	32	(4,769)
At 31 December 2016		10	90	(20,172)	1,186	(18,886)
Profit for the financial year		–			129	129
Other comprehensive income for the year:						
Fair value movements on cash flow hedging instruments		–	–	1,832	–	1,832
Tax recognised in relation to change in fair value cash flow hedges	9	–	–	(312)	–	(312)
Total comprehensive income for the financial year		–	–	1,520	129	1,649
Dividends paid and payable	10	–	–	–	(1,195)	(1,195)
Total investments by and distributions to owners		–	–	–	(1,195)	(1,195)
At 31 December 2017		10	90	(18,652)	120	(18,432)

The notes on pages 10 to 19 form part of these financial statements.

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements

Year ended 31 December 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN, England.

2. 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") and the Companies Act 2006. The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

3. 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.

Exemptions for qualifying entities under FRS 102

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.
- Basic Financial Instruments and Other Financial Instrument Issues.

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

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. 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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Turnover

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 13 May 2009, revenues in excess of net operating and finance costs were deferred until completion of construction, and are being 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.

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. 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 £1,831,000 at the year end (2016: £1,445,000).

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 transactions occurs. If the hedged transaction is no longer

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Finance debtor

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.

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

4. Turnover

Turnover arises from:

	2017	Restated 2016
	£000	£000
Service income	<u>3,307</u>	<u>3,462</u>

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

There has been a restatement of the 2016 Turnover and Cost of sales of £218,000 in relation to performance deductions levied by the Authority and passed on to the service provider. This has no impact on net profit for the 2016 financial year.

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

5. Auditor's remuneration

	2017 £000	2016 £000
Audit of these financial statements	<u>14</u>	<u>11</u>

In addition the company has borne the audit fee of £2,000 (2016: £2,000) of its immediate parent undertaking during the year.

6. Staff costs and directors' remuneration

The company had no employees during the year (2016: nil). No key management personnel received any remuneration during the year (2016: £ nil). The directors have no contract of service with the company. During the year the company incurred charges of £74,000 (2016: £74,000) 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.

7. Other interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	1	7
Finance debtor interest receivable	<u>3,166</u>	<u>3,235</u>
	<u>3,167</u>	<u>3,242</u>

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

8. Interest payable and similar expenses

	2017 £000	2016 £000
Interest on bank loan	2,827	2,890
Interest payable on subordinated debt	680	657
Other interest payable and similar charges	<u>24</u>	<u>24</u>
	<u>3,531</u>	<u>3,571</u>

9. Tax on profit

Tax expense/(income)

The tax (credit)/charge in the year is made up as follows:

	2017 £000	2016 £000
Current tax:		
UK current tax expense	(2)	35
Deferred tax expense	<u>(25)</u>	<u>12</u>
Tax on profit	<u>(27)</u>	<u>47</u>

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

9. Tax on profit *(continued)*

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 £311,397 (2016: £(757,637)).

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £000	2016 £000
Profit before taxation	102	79
Profit by rate of tax	20	16
Use of group tax reliefs	(22)	–
Trading adjustment	–	19
Impact of changes in tax rates	–	(26)
Origination and reversal of timing differences	(25)	38
Tax on profit	(27)	47

The differences are reconciled below:

Factors that may affect future tax income

The UK corporation tax rate will reduce to 17% on 1 April 2020.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

10. Dividends

	2017 £000	2016 £000
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	1,015	–
Dividends proposed before the year end and recognised as a liability	180	–
	1,195	–

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

11. Debtors

Debtors falling due within one year are as follows:

	2017 £000	2016 £000
Trade debtors	935	1,674
Other debtors	84	19
Finance debtor	1,262	1,190
Prepayments and accrued income	22	21
	<u>2,303</u>	<u>2,904</u>

Debtors falling due after one year are as follows:

	2017 £000	2016 £000
Deferred tax asset	3,820	4,132
Finance debtor	50,752	52,014
	<u>54,572</u>	<u>56,146</u>

12. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	991	759
Trade creditors	59	118
Corporation tax	2	29
Other taxation and social security	256	391
Dividends payable	180	–
Subordinated debt	244	554
Retention	72	72
Accruals and deferred income	972	882
	<u>2,776</u>	<u>2,805</u>

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

	2017 £000	2016 £000
Bank loans and overdrafts	47,289	48,245
Subordinated debt	5,488	5,567
Deferred tax liability	67	92
Derivative financial liability	22,472	24,304
Accruals and deferred income	862	637
	<u>76,178</u>	<u>78,845</u>

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

13. Creditors: amounts falling due after more than one year *(continued)*

Included within Bank loan is an amount repayable after five years of £43,095,000 (2016: £44,407,000) and included within subordinated debt are amounts repayable after five years of £5,488,000 (2016: £5,567,000) 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 2017, the total amount outstanding on the facility is £48,641,000 (2016: £48,245,000). 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 £5,488,000 (2016: £5,567,000) 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.

14. Deferred tax

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

	2017 £000	2016 £000
Included in debtors (note 11)	3,820	4,132
Included in creditors (note 13)	(67)	(92)
	<u>3,753</u>	<u>4,040</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017 £000	2016 £000
Deferred tax on revaluation of fair value of derivatives	3,820	4,132
Deferred tax on the effective interest rate adjustment	(67)	(92)
	<u>3,753</u>	<u>4,040</u>

15. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>10,000</u>	<u>10</u>	<u>10,000</u>	<u>10</u>

16. Share premium account

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

Clackmannanshire Schools Education Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

17. 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.

18. Related party transactions

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

	Transactions with related parties		Payables to related parties	
	2017	2016	2017	2016
	£000	£000	£000	£000
BBGI Management HoldCo S.a.r.l.	74	74	18	55
BBGI (NI) Limited	680	657	5,731	6,121

19. 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 2017, 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 2017 and 31 December 2016. The largest and smallest 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. Copies can be obtained from: Companies House, Crown Way, Cardiff, CF14 3UZ.