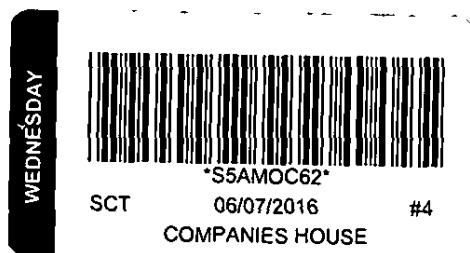


**AM Holdco Limited**  
**Annual Report and Financial Statements**  
**31 December 2015**



# **AM Holdco Limited**

## **Annual Report and Financial Statements**

**Year Ended 31 December 2015**

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# **AM Holdco Limited**

## **Officers and Professional Advisers**

### **The board of directors**

John I Cavill  
Jonathan P Doberman

### **Company secretary**

Infrastructure Managers Limited

### **Registered office**

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

### **Auditor**

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Level 4  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

# **AM Holdco Limited**

## **Strategic Report**

**Year Ended 31 December 2015**

### **Principal Objectives and Strategies**

The principal objectives of the company are to operate as a holding company for its investments

### **Review of the Business**

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance are given in note 17.

The loss for the year, after taxation, amounted to £(743,730) (2014: £(398,947)). The company's performance for the year is in line with the director's expectations.

### **Future Developments**

The directors intend for the business to continue to hold its interests in the investments.

### **Key Performance Indicators**

The performance of the company's investments from a cash perspective is assessed six monthly on a group basis by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The company's investments have been performing well and has been compliant with the covenants laid out in the group loan agreement.

### **Principal Risks and Uncertainties**

In the directors' view the only significant risks or uncertainty is in relation to the performance of the underlying investments. The performance is reviewed regularly and the directors are satisfied with it.

This report was approved by the board of directors on 28 JUNE 2016 and signed on behalf of the board by



John I Cavill  
Director

# **AM Holdco 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 were as follows

John I Cavill	
Jonathan P Doberman	(Appointed 17 March 2016)
Andrew Matthews	(Resigned 7 April 2015)
BIIF Corporate Services Limited	(Resigned 17 March 2016)

#### **Dividends**

The result for the year will be transferred to reserves

#### **Going Concern**

The company has net liabilities of £9,104,640 (2014 £8,356,827) The financial statements have been prepared on a going concern basis as the company's shareholders have confirmed the loan due to the immediate parent company will not be required to be repaid within twelve months from the balance sheet date

#### **Financial Instruments**

The company has no significant financial instruments

#### **Small Company Provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

This report was approved by the board of directors on 23 JUNE 2016 and signed on behalf of the board by



Infrastructure Managers Limited  
Company Secretary

Registered office  
Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

# AM Holdco Limited

## Directors' Responsibilities Statement

### Year Ended 31 December 2015

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 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 accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

The Directors' Responsibilities were approved by the board on 28 JUNE 2016 and signed on its behalf by



John I Cavill

Director

Registered office  
Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

# **AM Holdco Limited**

## **Independent Auditors' Report to the Members of AM Holdco Limited**

### **Year Ended 31 December 2015**

#### **Our Opinion**

In our opinion, AM Holdco Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise

- the Statement of Financial Position as at 31 December 2015,
- the Statement of Comprehensive Income for the year then ended,
- the Statement of Changes in Equity for the year then ended, and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **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 period for which the financial statements are prepared is consistent with the financial statements

#### **Matters on Which We are Required to Report by Exception**

##### **Adequacy of accounting records and information and explanations received**

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, 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

We have no exceptions to report arising from this responsibility

# **AM Holdco Limited**

## **Independent Auditors' Report to the Members of AM Holdco Limited *(continued)***

### **Year Ended 31 December 2015**

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Respective Responsibilities of Directors and Auditor**

##### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.*

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.

##### **Scope of the Audit of the Financial Statements**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

*We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.*

## **AM Holdco Limited**

### **Independent Auditors' Report to the Members of AM Holdco Limited** *(continued)*

#### **Year Ended 31 December 2015**

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Edinburgh

28 June 2016

# AM Holdco Limited

## Statement of Comprehensive Income

Year Ended 31 December 2015

	Note	2015 £	2014 £
Administrative expenses		(2,769)	(2,688)
<b>Operating loss</b>		<b>(2,769)</b>	<b>(2,688)</b>
Income from participating interests	6	570,442	1,155,737
Other interest receivable and similar income	7	2,011,814	1,894,037
Interest payable and similar charges	8	(3,642,388)	(3,807,457)
<b>Loss on ordinary activities before taxation</b>		<b>(1,062,901)</b>	<b>(760,371)</b>
Tax on loss on ordinary activities	9	319,171	361,424
<b>Loss for the financial year and total comprehensive income</b>		<b><u>(743,730)</u></b>	<b><u>(398,947)</u></b>

All the activities of the company are from continuing operations

The notes on pages 11 to 18 form part of these financial statements

# AM Holdco Limited

## Statement of Financial Position

As at 31 December 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Investments	10	65,879,812	66,062,858
<b>Current assets</b>			
Debtors due within one year	11	11,642,585	9,869,756
<b>Creditors amounts falling due within one year</b>	12	(86,622,954)	(84,289,441)
<b>Net current liabilities</b>		(74,980,369)	(74,419,685)
<b>Total assets less current liabilities</b>		(9,100,557)	(8,356,827)
<b>Net liabilities</b>		(9,100,557)	(8,356,827)
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Retained earnings	14	(9,100,558)	(8,356,828)
<b>Shareholders' deficit</b>		(9,100,557)	(8,356,827)

These financial statements were approved by the board of directors and authorised for issue on 22 JUNE 2016, and are signed on behalf of the board by

  
John I Cavill  
Director

Company registration number 06387403

The notes on pages 11 to 18 form part of these financial statements.

# **AM Holdco Limited**

## **Statement of Changes in Equity**

**Year Ended 31 December 2015**

	Called up share capital £	Retained earnings £	Total £
<b>At 1 January 2014</b>	<b>1</b>	<b>(7,957,881)</b>	<b>(7,957,880)</b>
Loss for the year	—	<u>(398,947)</u>	<u>(398,947)</u>
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>(398,947)</b>	<b>(398,947)</b>
<b>At 31 December 2014</b>	<b>1</b>	<b>(8,356,828)</b>	<b>(8,356,827)</b>
Loss for the year	—	<u>(743,730)</u>	<u>(743,730)</u>
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>(743,730)</b>	<b>(743,730)</b>
<b>At 31 December 2015</b>	<b><u>1</u></b>	<b><u>(9,100,558)</u></b>	<b><u>(9,100,557)</u></b>

The notes on pages 11 to 18 form part of these financial statements.

# **AM Holdco Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 December 2015**

#### **1 Statement of compliance**

The individual financial statements of AM Holdco Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006

#### **2. General information**

AM Holdco Limited ('the company') is incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF

The principal activity of the company during the year was as an investment holding company

The company's functional and presentation currency is the pound sterling

#### **3 Accounting policies**

##### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities

The preparation of financial statements in conformity with FRS 102 requires the use of certain *critical accounting estimates*. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom

##### **Going concern**

The company has net liabilities of £9,104,640 (2014: £8,356,827). The financial statements have been prepared on a going concern basis as the company's shareholders have confirmed the loan due to the immediate parent company will not be required to be repaid within twelve months from the balance sheet date

##### **Transition to FRS 102**

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 17

# **AM Holdco Limited**

## **Notes to the Financial Statements (continued)**

### **Year Ended 31 December 2015**

#### **3. Accounting policies (continued)**

##### **Disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BILF Holdco Limited which can be obtained from Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company
- (b) Disclosures in respect of financial instruments have not been presented

##### **Consolidation**

The company is a wholly-owned subsidiary of BILF Holdco Limited, a company incorporated in the EEA. In accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

##### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

##### **i) Impairment of assets**

The carrying value of those assets recorded in the Company's balance sheet, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the balance sheet. Any reduction in value arising from such a review would be recorded in the statement of comprehensive income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

# AM Holdco Limited

## Notes to the Financial Statements *(continued)*

### Year Ended 31 December 2015

#### 3 Accounting policies *(continued)*

##### Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

##### Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

##### Investments in joint ventures

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

# AM Holdco Limited

## Notes to the Financial Statements *(continued)*

### Year Ended 31 December 2015

#### 3. Accounting policies *(continued)*

##### Investments in joint ventures *(continued)*

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition

#### 4. Auditors' remuneration

The audit fee of £2,769 (2014 £2,688) was borne by another group company

#### 5. Particulars of employees and directors

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2014 nil) The directors did not receive any remuneration from the Company during the year (2014 £nil)

#### 6. Income from participating interests

	2015 £	2014 £
Income from participating interests	<u>570,442</u>	<u>1,155,737</u>

#### 7. Other interest receivable and similar income

	2015 £	2014 £
Interest receivable on other loans	<u>2,011,814</u>	<u>1,894,037</u>

#### 8. Interest payable and similar charges

	2015 £	2014 £
Other interest payable and similar charges	<u>3,642,388</u>	<u>3,807,457</u>

#### 9. Tax on loss on ordinary activities

##### Major components of tax income

	2015 £	2014 £
<b>Current tax</b>		
UK current tax income	(330,752)	(411,772)
Adjustments in respect of prior periods	<u>11,581</u>	<u>50,348</u>
Total current tax	<u>(319,171)</u>	<u>(361,424)</u>
<b>Tax on loss on ordinary activities</b>	<u>(319,171)</u>	<u>(361,424)</u>

# AM Holdco Limited

## Notes to the Financial Statements (continued)

### Year Ended 31 December 2015

#### 9. Tax on loss on ordinary activities (continued)

##### Reconciliation of tax income

The tax assessed on the loss 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 21.49%)

	2015 £	2014 £
Loss on ordinary activities before taxation	(1,062,901)	(760,371)
Loss on ordinary activities by rate of tax	(215,237)	(163,404)
Adjustment to tax charge in respect of prior periods	11,581	50,348
Income not chargeable for tax purposes	(115,515)	(248,368)
Tax on loss on ordinary activities	(319,171)	(361,424)

##### Factors that may affect future tax income

On 26 October 2015, a reduction in the UK corporation tax rate from 20% to 18% was substantively enacted. The reduction is to take effect in two stages from 1 April 2017 (19%) and then from 1 April 2020 (18%). In his Budget speech on 16 March 2016 the Chancellor of the Exchequer proposed that the above UK corporation tax rate of 18% effective from 1 April 2020 be further reduced to 17%. The company's tax losses as at 31 December 2015 amount to £2,086,106 (2014 £2,086,106). The resultant deferred tax asset of £375,499 (2014 £417,221) has not been recognised due to uncertainties as to the extent and timing of its future recovery.

#### 10. Investments

	Shares in participating interests £	Loans to participating interests £	Total £
<b>Cost</b>			
At 1 January 2015	54,251,748	11,811,110	66,062,858
Disposals	—	(183,046)	(183,046)
<b>At 31 December 2015</b>	<b>54,251,748</b>	<b>11,628,064</b>	<b>65,879,812</b>
<b>Impairment</b>			
At 1 Jan 2015 and 31 Dec 2015	—	—	—
<b>Carrying amount</b>			
At 31 December 2015	54,251,748	11,628,064	65,879,812
At 31 December 2014	54,251,748	11,811,110	66,062,858

# AM Holdco Limited

## Notes to the Financial Statements (continued)

### Year Ended 31 December 2015

#### 10. Investments (continued)

The Company holds interests in the following companies The percentage of the equity held is noted in the table below

	% held
Road Management Group Limited	41.66%
Road Management Services (Darrington) Holdings Limited	25.00%
Key Health Services Holdings (Addenbrookes) Limited	50.00%

The Company holds loan notes in the following companies These loan notes fall due for payment at regular intervals with the closing balance, rate of interest and last payment date noted in the table below

	Balance 31 Dec 2015	Rate of interest	Maturity
Road Management Group Limited	4,803,967	12.00%	2022
Road Management Services (Darrington) Holdings Limited	3,196,860	10.00%	2036
Key Health Services Holdings (Addenbrookes) Limited	3,627,236	11.25%	2037

The full list of companies in which the company has investments in is as follows

	Investment Holding %	Class of shares
Key Health Services (Addenbrookes) Limited	50	Ordinary
Key Health Services Holdings (Addenbrookes) Limited	50	Ordinary
Road Management Group Limited	42	Ordinary
Road Management Consolidated PLC Limited	42	Ordinary
Road Management Limited	42	Ordinary
Road Management Services (Gloucester) Limited	42	Ordinary
Road Management Services (Peterborough) Limited	42	Ordinary
Road Management Services (Darrington) Holdings Limited	25	Ordinary
Road Management Services (Finance) PLC Limited	25	Ordinary
Road Management Services (Darrington) Limited	25	Ordinary

#### 11 Debtors

Debtors falling due within one year are as follows

	2015 £	2014 £
Amounts owed by Group undertakings	3,948,310	3,662,819
Called up share capital not paid	—	1
Prepayments and accrued income	7,461,451	5,978,196
Other debtors	232,824	228,740
	<b>11,642,585</b>	<b>9,869,756</b>

The amounts owed by group undertakings relate to group tax relief

# AM Holdco Limited

## Notes to the Financial Statements *(continued)*

### Year Ended 31 December 2015

#### 12. Creditors: amounts falling due within one year

	2015	2014
	£	£
Amounts owed to group undertakings	86,598,087	84,267,343
Accruals and deferred income	24,867	22,098
	<u>86,622,954</u>	<u>84,289,441</u>

The Amounts owed to group undertakings include amounts owed to the Company's immediate parent of £42,594,517 (2014 £43,906,161) which bears interest at 8.4% and is repayable upon demand. The amount of interest outstanding at the year end is £31,958,697 (2014 £28,324,266). The amounts owed to group undertakings also comprise a non-interest bearing loan totalling £12,044,873 (2014 £12,036,916) which is repayable upon demand.

#### 13. Called up share capital

##### Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The company issued one share upon incorporation.

#### 14. Reserves

Retained earnings - This reserve records retained earnings and accumulated losses.

#### 15. Related party transactions

The company is wholly owned by BIIF Bidco Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

#### 16. Controlling party

The immediate parent undertaking is BIIF Bidco Limited.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The ultimate parent and controlling party is BIIF L P. BIIF L P is owned by a number of investors with no one investor having individual control. The immediate parent company is BIIF Bidco Limited.

# **AM Holdco Limited**

## **Notes to the Financial Statements *(continued)***

### **Year Ended 31 December 2015**

#### **17. Transition to FRS 102**

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The changes in accounting policies between UK GAAP as previously reported and FRS 102 have resulted in no adjustment to loss for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014.

**BIIF Holdco Limited**

**Annual Report and Group Financial Statements  
For the year ended 31 December 2015**

**Registered number 06704550**

THESE ACCOUNTS  
FORM PART OF THE  
GROUP ACCOUNTS  
OF COMPANY  
No. ....6387403....

# **BIIF Holdco Limited**

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## **BIIF Holdco Limited**

### **Company Information**

**Directors:** Andrew Matthews (*resigned 13 February 2015*)  
John Cavill (appointed 25 January 2016)  
Nigel Middleton

**Company secretary:** Infrastructure Managers Limited

**Registered office** Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

**Independent Auditors:** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Level 4  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

# **BIIF Holdco Limited**

## **Strategic Report**

**Year Ended 31 December 2015**

The Directors present their strategic report of the Company and the Group for the year ended 31 December 2015

### **Principal Objectives and Strategies**

The principal activity of the Company was that of a holding company. The principal activity of the Group was the provision, operation and maintenance of various assets under the Private Finance Initiative ('PFI') and within regulated renewable markets.

### **Review of the Business**

In December 2015 the Group refinanced one of its lending facilities to a new facility level of £533,507,000. This is split into two facilities, Facility A which is repayable in instalments, with the final payment on 31 December 2025, and Facility B which is repayable in instalments with the final payment on 31 December 2035. This is described in more detail in note 12.

The results for the year are in line with management's current expectations and the financial model prepared for each of the Group's investments.

The Group transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance are given in note 22.

### **Future Developments**

The Directors intend for the business to continue to hold its interests in the investments.

### **Key Performance Indicators**

Group performance is measured on the basis of cash flows, both for shareholders and lenders. As with all companies in this sector, detailed cash flow projections are prepared to demonstrate the ability of the business to service its debt. Current projections demonstrate that the business can continue to maintain its debt service cover ratios at the base case levels agreed with the Group's lenders and will continue to pay returns to shareholders. As such the Directors are satisfied that the Group's performance is in line with forecast and, therefore, consider the going concern basis of preparation to be appropriate.

### **Financial risk management**

The Group is exposed to a variety of financial risks that include Retail Price Indices, interest rate risk and liquidity risk. The Group has in place measures to limit the adverse effects of changes in these risks. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash deposits and proceeds from investment sums. The Group also invests in cash deposits at floating rates.

### **Objectives and policies**

The Company's exposure to and management of interest rate risk, credit risk and liquidity risk is detailed below.

#### **Interest rate risk**

The Group's policy is to manage its cost of borrowings using fixed rate debt.

#### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer, counterparty to a financial instrument or counterparty for facility management services fails to meet their contractual obligations.

Credit risk is overseen by management, and arises mainly from

- cash and cash equivalents,
- derivative financial instruments,
- credit exposures to amounts due from outstanding receivables, and
- other committed transactions with counterparties.

The Group's objective is to minimise credit risk to an acceptable level whilst not overly restricting the Group's ability to generate

# BIIF Holdco Limited

## Strategic Report

### Financial risk management (continued)

revenue and profit. It is the Group's policy to invest assets safely and profitably. Management monitors credit risk closely and considers that its current policies in managing the exposure to credit risk are appropriate.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of its key customers or counterparties. The Group's largest credit exposures are to public sector bodies and financial institutions. The amounts owed by the public sector bodies in the United Kingdom are considered to be a low credit risk by the Group. The counterparties for facility management are with well-established companies that operate several facility management contracts and the Group considers these companies unlikely to default on their respective liabilities to the Group.

In determining whether a financial asset is impaired due to credit or counterparty risks, the Group takes account of

- The fair value of the asset at the statement of financial position date and, where applicable, the historic fair value of the asset;
- In the case of receivables, the counterparty's typical payment patterns, and
- In the case of other counterparty's, the current contract performance and the latest available information on the counterparty's credit worthiness.

### Liquidity risk


The principal repayments of the bond are subject to variations in the retail price index to which the bond is linked.

### Principal risks and uncertainties

The principal risk faced by the Group is the future cost of lifecycle expenditure. Each project has a lifecycle profile which is regularly reviewed and managed, to highlight and mitigate any potential adverse effects.

On March 2016, the UK HM Treasury announced its Business Tax Road Map. In part this was a response to the OECD's final reports on its base erosion and profit shifting 'BEPS' initiative. The document sets out certain changes which may impact BIIF Holdco Group's underlying investments. As at this time the draft legislation has not been finalised and has not been enacted into law it is not possible to determine with certainty the impact on the Group.

Approved by the board on 29 September 2016 and signed on its behalf by.



Nigel Middleton  
Director

# **BIIF Holdco Limited**

## **Directors' Report**

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015

### **Results and Dividends**

The net consolidated loss after tax and minority interests in the financial year was £10,834,000 (2014 loss £58,678,000) The result for the year will be transferred to reserves

No dividends (2014 £nil) were paid by the company during the year

### **Financial risk management**

See information provided in the Strategic Report

### **Directors and their interests**

The Directors in office during the year and up to the date of this report, shown on page 1, had no beneficial interest in the Company or its subsidiaries

### **Disclosure of information to the auditors**

So far as each of the Directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General meeting

The Directors' Report was approved by the board on 29 September 2016 and signed on its behalf by



Nigel Middleton  
Director

Registered number 06704550

# **BIIF Holdco Limited**

## **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and Group 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 the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)

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 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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 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

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Directors' responsibilities were approved by the board on 29 September 2016 and signed on its behalf by



Nigel Middleton  
Director

## **BIIF Holdco Limited**

### **Independent Auditors' Report to the members of BIIF Holdco Limited**

#### **Report on the financial statements**

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##### **Our opinion**

In our opinion, BIIF Holdco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's loss and cash flows for the year then ended.

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

have been prepared in accordance with the requirements of the Companies Act 2006

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##### **What we have audited**

The financial statements, included within the Annual Report, comprise

the Group and Company Statements of Financial Position as at 31 December 2015;

the Group Statement of Comprehensive Income for the year then ended;

the Group Statement of Cash Flows for the year then ended,

the Group and Company Statements of Changes in Equity for the year then ended; and

the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

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#### **Opinion on other matter prescribed by the Companies Act 2006**

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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

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#### **Other matters on which we are required to report by exception**

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##### **Adequacy of accounting records and information and explanations received**

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

the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

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##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **BIIF Holdco Limited**

### **Independent Auditors' Report to the members of BIIF Holdco Limited**

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#### **Responsibilities for the financial statements and the audit**

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##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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.

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##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed,

the reasonableness of significant accounting estimates made by the directors; and

the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor),  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

29 September 2016

**BIIF Holdco Limited**  
**Group Statement of Comprehensive Income**  
For the year ended 31 December 2015

	Note	Year ended 31 Dec 2015		Year ended 31 Dec 2014	
		£000	£000	£000	£000
<b>Group turnover</b>	2		323,632		354,826
<b>Cost of sales</b>			<u>(226,744)</u>		<u>(262,320)</u>
<b>Group gross profit</b>			96,888		92,506
<b>Net operating expenses</b>			<u>(38,131)</u>		<u>(41,494)</u>
<b>Group operating profit</b>			58,757		51,012
<b>Finance costs</b>	3				
- Group		(108,022)		(91,724)	
- Fair value profit/(loss) on derivatives		<u>6,381</u>		<u>(6,669)</u>	
			(101,641)		(98,393)
<b>Share of results in joint ventures and associates</b>	8		<u>29,430</u>		<u>8,334</u>
<b>Loss on ordinary activities before taxation</b>	4		(13,454)		(39,047)
<b>Tax on profit/(loss) on ordinary activities</b>	5		7,477		(16,108)
<b>Loss on ordinary activities after taxation</b>			<u>(5,977)</u>		<u>(55,155)</u>
<b>Non-controlling interests</b>			(4,857)		(3,523)
<b>Loss for the financial year</b>			<u>(10,834)</u>		<u>(58,678)</u>
<b>Other comprehensive income</b>					
Fair value movements on cash flow hedging instruments, net of tax					
- Group		12,399		(68,991)	
- Associates and joint ventures		<u>23,049</u>		<u>(40,207)</u>	
			35,448		(109,198)
<b>Non-controlling interests</b>			508		(489)
<b>Exchange differences on retranslation of subsidiary undertakings</b>			139		(506)
<b>Tax relating to components of other comprehensive income</b>			83		(421)
<b>Total comprehensive loss for the year</b>			<u>25,344</u>		<u>(169,292)</u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>					
Non-controlling interests			(4,349)		(4,012)
Owners of the parent company			<u>29,693</u>		<u>(165,280)</u>
			<u>25,344</u>		<u>(169,292)</u>

# BIIF Holdco Limited

## Group and Company Statement of Financial Position

For the year ended 31 December 2015

	Note	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
<b>Fixed assets</b>					
Tangible assets	7	389,120	411,829	-	-
Investment properties	7	63,954	63,954	-	-
<b>Investments</b>					
Interests in joint ventures	8	1,762,634	1,749,368	-	-
Share of gross assets		(1,519,252)	(1,543,065)	-	-
Share of gross liabilities				-	-
Associates	8	86,038	81,584	-	-
Interest in associates				-	-
		<u>329,420</u>	<u>287,887</u>	-	-
		<u>782,494</u>	<u>763,670</u>	-	-
<b>Current assets</b>					
Debtors due within one year	9	137,621	138,166	-	-
Debtors due after more than one year	10	1,426,713	1,494,996	-	-
Cash in hand and at bank		220,602	222,746	-	-
		<u>1,784,936</u>	<u>1,855,908</u>	-	-
<b>Creditors: amounts falling due within one year</b>	11	(320,534)	(334,904)	-	-
<b>Net current assets</b>		<u>1,464,402</u>	<u>1,521,004</u>	-	-
<b>Total assets less current liabilities</b>		<u>2,246,896</u>	<u>2,284,674</u>	-	-
<b>Creditors: amounts falling due after more than one year</b>	12	(2,114,636)	(2,157,574)	-	-
<b>Derivative financial instruments</b>	13	(525,459)	(559,506)	-	-
<b>Provision for liabilities and charges</b>					
Deferred taxation	14	(68,509)	(58,995)	-	-
<b>Net liabilities</b>		<u>(461,708)</u>	<u>(491,401)</u>	-	-
<b>Capital and reserves</b>					
Called up share capital	15	-	-	-	-
Hedging reserve		(343,246)	(379,203)	-	-
Other reserves		2,191	2,052	-	-
Profit and loss account		(157,307)	(146,556)	-	-
<b>Total shareholders' deficit</b>		<u>(498,362)</u>	<u>(523,707)</u>	-	-
<b>Non-controlling interests</b>		<u>36,654</u>	<u>32,306</u>	-	-
		<u>(461,708)</u>	<u>(491,401)</u>	-	-

These financial statements on pages 8 to 39 were approved by the Directors and authorised for issue on 29 September 2016 and are signed on its behalf by

Nigel Middleton  
Director

Company registration number 06704550

# BIIF Holdco Limited

## Group and Company Statement of Changes in Equity

As at 31 December 2015

Group	Called up share capital £'000	Profit and loss account £'000	Hedging reserve £'000	Other reserves	Non-controlling interests £'000	Total equity £'000
				Revaluation reserve £'000	Foreign exchange reserve £'000	
As at 1 January 2014	-	(88,516)	(269,094)	2,833	(127)	(326,611)
(Loss)/Profit for the year	-	(58,040)	-	-	-	(54,517)
Fair value movements on cash flow hedging instruments, net of tax	-	-	(109,198)	-	-	(109,198)
Revaluation of investment property	-	-	-	(148)	-	(148)
Exchange differences on retranslation of subsidiary undertakings	-	-	-	-	(506)	(506)
Non-controlling interest	-	-	-	-	-	-
Tax relating to other comprehensive income	-	-	(489)	-	-	(489)
Total comprehensive income for the year	-	(58,040)	(110,108)	(148)	(506)	(164,790)
As at 31 December 2014	-	(146,556)	(379,202)	2,685	(633)	(491,401)
(Loss)/Profit for the year	-	(10,834)	-	-	-	(5,977)
Other comprehensive income	-	83	-	-	-	83
Fair value movements on cash flow hedging instruments, net of tax	-	-	35,448	-	-	35,448
Non-controlling interests	-	-	-	-	-	-
Exchange differences on retranslation of subsidiary undertakings	-	-	508	-	139	647
Total comprehensive income for the year	-	(10,751)	35,956	-	139	29,693
As at 31 December 2015	-	(157,307)	(343,246)	2,685	(494)	(461,708)

### Company

The company had no reserves during the year ended 31 December 2015 (2014 nil)

**BIIF Holdco Limited**  
**Group Statement of Cash Flows**  
For the year ended 31 December 2015

	Note	Year ended 31 Dec 2015 £000	Year ended 31 Dec 2014 £000
Net cash from operating activities	16	121,045	118,562
Taxation received		(1,037)	2,318
Net cash generated from operating activities		<u>120,008</u>	<u>120,880</u>
<b>Investing activities</b>			
Interest received		69,556	80,808
Dividends received		19,640	10,026
Purchase of tangible fixed assets		(161)	(257)
Disposal of tangible fixed assets		-	2,979
Net cash generated from investing activities		<u>89,035</u>	<u>93,556</u>
<b>Financing activities</b>			
Interest paid		(169,060)	(161,039)
Issue costs of new bank facility		(17,020)	(4,709)
Receipts of new banking facilities		575,508	312,919
Net decrease in bank borrowings and other loans		(609,710)	(364,989)
Capital repayments of loan amounts issued to joint ventures and associates		2,431	5,451
Loans advanced to joint ventures and associates		(11,010)	(930)
Net movement in loan amounts due from project companies in the Group under sub participation agreement from the bank		<u>18,028</u>	<u>11,227</u>
Net cash used in financing activities		<u>(210,833)</u>	<u>(202,070)</u>
(Decrease)/Increase in cash and cash equivalents		<u>(1,790)</u>	<u>12,366</u>
Effect of exchange rates on cash and cash equivalents		<u>(354)</u>	<u>-</u>
Cash and cash equivalents at 1 January		<u>222,746</u>	<u>210,380</u>
Cash and cash equivalents at 31 December		<u>220,602</u>	<u>222,746</u>

# **BIIF Holdco Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **1. Accounting policies**

A summary of the principal Group Accounting Policies, all of which have been applied consistently throughout the year, is set out below

#### **Statement of compliance**

BIIF Holdco Limited is a limited liability company incorporated in England. The Registered Office is Cannon Place, 78 Cannon Street London EC4N 6AF

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2015

The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 22

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments and in accordance with Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000

#### **Going concern**

The Group has received loans from external banks, which are secured against the cash flows from the Group's investments and also loans from its ultimate parent undertaking. The financial statements have been prepared on a going concern basis following an assessment of the financial viability of each of the Group's principal investments, and also the sources of cash flow projected to be available to service the portfolio debt obligations within the Group. This assessment indicates that although the Group currently has net liabilities, sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not prepared a statement of comprehensive income for BIIF Holdco Limited

#### **Method of consolidation – subsidiaries**

On acquisition of a business, all the business' assets and liabilities that exist at the date of acquisition are recorded at their fair values. Initially, provisional fair values are allocated and these are finalised within twelve months of the date of control. All changes to those assets and liabilities and resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition statement of comprehensive income. The purchase consideration is measured as the fair value of the assets given up or liabilities undertaken plus costs directly attributable to the acquisition. Goodwill is the excess purchase consideration over the fair value of the identifiable assets and liabilities acquired.

Subsidiaries are enterprises that are controlled by the Group over which it typically has in excess of 50% of the voting rights. The Group consolidates the results of the company and its subsidiaries. Subsidiary acquisitions are accounted for using the acquisition method of accounting. All inter-group transactions, balances and unrealised gains on transactions between Group entities have been eliminated in full.

Fair value adjustments which are made at the date of acquisition are amortised on a straight line basis over the period of the life of the underlying asset.

Uniform accounting policies are applied across all subsidiaries within the Group.

# **BIIF Holdco Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2015**

#### **Accounting policies (continued)**

##### **Method of consolidation – associates and joint ventures**

Investments in associates and joint ventures are consolidated using the equity method. In arriving at the amounts to be included by the equity method, the same accounting policies as those of BIIF Holdco Limited are applied. Where practicable, associates and joint ventures are included on the basis of financial statements prepared for a period not more than three months before the Group's year end. Where the associate's or joint venture's accounting reference date is greater than three months prior to 31 December, the associates are consolidated based on the latest statutory accounts adjusted for management accounts to 31 December.

Associates are enterprises, other than joint ventures, that are not controlled by the Group, over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence.

All balances and effects of transactions between each associate and joint venture and the Group have been eliminated to the extent of the Group's interest in the associate and joint venture.

##### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Significant judgements**

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows.

##### **i) Hedge accounting and consideration of the fair value of derivative financial instruments**

The Group uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates and movements in RPI as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Group fair values its derivative financial instruments and records the fair value of those instruments on its statement of financial position.

Movements in the fair values of the Group's derivative financial instruments may be accounted for using hedge accounting where the requirements of hedge accounting are met under FRS 102 including the creation of compliant documentation and meeting the effectiveness testing requirements. If a hedge does not meet the criteria for hedge accounting, which may include a consideration of whether there has been a substantial modification to the terms of the hedge, or where there is some degree of ineffectiveness identified in respect of the hedging relationship, then the change in fair value in relation to these items will be recorded in the comprehensive income statement. If a hedging relationship is judged to be discontinued for hedge accounting then any amounts previously deferred in other comprehensive income in respect of that previously hedged position, must immediately be recognised in the income statement. Otherwise, in respect of the Group's derivative financial instruments, these changes in fair value are recognised in other comprehensive income.

As referred to above, the Group carries its derivative financial instruments on its statement of financial position at fair value. No market prices are available for these instruments and consequently the fair values are derived using financial models developed by the shareholders based on counterparty information that is independent of the Group, but use observable market data in respect of RPI and interest rates as an input to valuing those derivative financial instruments.

##### **ii) Revaluation of investment properties**

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value at 31 December 2015 (residential property) and 31 December 2013 (commercial property). The valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 7.

# **BIIF Holdco Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **Accounting policies (continued)**

#### **iii) Income taxation**

##### **Current taxation**

The taxation charge or credit arising on profit or loss before taxation and in respect of gains or losses recognised through other comprehensive income reflect the tax rates in effect or substantially enacted at the balance sheet date as appropriate. The determination of appropriate provisions for taxation requires the Directors to take into account anticipated decisions of HM Revenue and Customs which inevitably requires the Directors to use judgements as to the appropriate estimate of taxation provisions.

##### **Deferred taxation**

Deferred taxation is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit. Judgements are required to be made as to the calculation and identification of temporary differences and in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgement requires the Directors to consider forecast information over a long time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

##### **Key sources of estimation uncertainty**

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### **i) Impairment of assets**

The carrying value of those assets recorded on the Group's statement of financial position at amortised cost could be materially reduced if the value of those assets were assessed to have been impaired. Impairment reviews are performed in the event that circumstances change which might indicate that an asset has been impaired. In principle, such impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets on the statement of financial position. Any reduction in value arising from such a review would be recorded in the income statement. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

#### **ii) Accounting for service concession agreements**

Accounting for the service concession contracts and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profiles which are based on forecast results of the contracts.

##### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**5. Taxation**

	31 Dec 2015 £000	31 Dec 2014 £000
<b>Current tax</b>		
UK corporation tax on profit/(loss) for the year	1,561	3,706
Adjustments in respect of prior periods for subsidiary companies	(2,219)	758
<b>Tax on profit on ordinary activities</b>	<b>(658)</b>	<b>4,464</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(3,630)	11,100
Impact of change in tax rate	(3,189)	544
<b>Total deferred tax credit</b>	<b>(6,819)</b>	<b>11,644</b>
<b>Tax on profit/(loss) on ordinary activities</b>	<b>(7,477)</b>	<b>16,108</b>

The tax assessed for the year is lower than (2014 lower than) the standard rate applying in the UK (20.25% (2014 21.49%)). The differences are explained below

	31 Dec 2015 £000	31 Dec 2014 £000
Group profit/(loss) on ordinary activities before tax	(13,454)	(39,047)
Profit/(Loss) on ordinary activities at the UK tax rate 20.25% (2014 21.49%)	(2,724)	(8,391)
Effects of:		
Expenses not deductible for tax purposes	152	18,550
Losses utilised	(3,760)	-
Adjustment in respect of prior year tax charge	(2,219)	758
Non-trading transfer pricing adjustment	5,147	5,122
Group relief not paid for	(884)	(485)
Effect of rate change	(3,189)	554
<b>Tax on profit/(loss) on ordinary activities</b>	<b>(7,477)</b>	<b>16,108</b>

**Factors that may affect future tax income**

On 26 October 2015, a reduction in the UK corporation tax rate from 20% to 18% was substantively enacted. The reduction is to take effect in two stages from 1 April 2017 (19%) and then from 1 April 2020 (18%). As a result, relevant deferred tax balances have been re-measured at the rate at which the majority of the deferred tax balance is expected to unwind.

In his budget speech on 16 March 2016 the Chancellor of the Exchequer proposed that the above UK corporation tax rate of 18% effective from 1 April 2020 be reduced to 17%. This change has not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

**6 Results of holding company**

A Company profit of £nil (2014 £nil) is dealt with by the parent accounts of BIIF Holdco Limited. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented a statement of comprehensive income for the Company alone.

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**7 Tangible fixed assets - Group**

	<b>Buildings £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
As at 1 January 2015	435,371	125,887	561,258
Additions	-	161	161
Foreign exchange translation adjustment	-	(2,145)	(2,145)
<b>As at 31 December 2015</b>	<b>435,371</b>	<b>123,903</b>	<b>559,274</b>
<b>Depreciation</b>			
As at 1 January 2015	106,674	42,755	149,429
Charge for the period	15,070	5,655	20,725
<b>As at 31 December 2015</b>	<b>121,744</b>	<b>48,410</b>	<b>170,154</b>
<b>Net book value</b>			
<b>As at 31 December 2015</b>	<b>313,627</b>	<b>75,493</b>	<b>389,120</b>
<b>As at 31 December 2014</b>	<b>328,697</b>	<b>83,132</b>	<b>411,829</b>

Interest charged to the income statement included within the depreciation charge is £555,000 (2014: £1,050,000)

Interest capitalised to date, included in cost, totals £24,943,000 (2014: £25,498,000)

Included within the total for Equipment is £2,139,000 (2014: £5,521,000) in respect of assets held under finance lease

**Company**

The Company had no fixed assets at 31 December 2015 (2014: none)

<b>Investment properties - Group</b>	<b>Land &amp; Buildings £000</b>
<b>Cost or valuation</b>	
As at 1 January 2015	63,954
Revaluation	-
<b>As at 31 December 2015</b>	<b>63,954</b>

The Group holds residential and commercial investment properties

The residential investment properties were revalued on an open market basis in March 2015 by Derek Nesbitt a member of the Royal Institution of Chartered Surveyors on behalf of DTZ Debenham Tie Leung Limited

The commercial investment property was revalued by Rushton International on the basis of market value at 31 December 2013. The Directors consider that the valuation carried out in December 2013 continues to reflect the current market value

**Company**

The Company had no investment properties at 31 December 2015 (2014: none)

# **BIIF Holdco Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **Accounting policies (continued)**

#### **i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

### **Turnover**

Turnover represents the services share of the management services income received by the Group for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between revenue and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

### **Interest income**

Interest income is recognised as interest accrues using the effective interest method.

### **Dividends**

Dividends are recognised as income when the Group's right to receive payment is established.

### **Foreign currencies**

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the statement of financial position date. Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in other comprehensive income.

### **Accounting for PFI assets**

The Group has taken the transition exemption in FRS 102 Section 35 10(i) that allows the Group to continue the service concession arrangement accounting policies from old UK GAAP.

#### **i Finance debtor**

The company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

# **BIIF Holdco Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **Accounting policies (continued)**

#### **ii. Tangible fixed assets**

The company is accounting for the concession asset based on the inability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the company on the design and construction of the assets have been treated as a fixed asset within these financial statements

#### **iii. Investment properties**

Investment properties are accounted for in accordance with FRS 102 Section 16 'Investment Property'. Investment properties are revalued every two to three years by an external qualified and registered property valuer and every other year the Directors assess the carrying value in light of any changes in market conditions. The aggregate surplus or deficit is charged to the income statement, and no amortisation is provided in respect of long leasehold investment properties

#### **Depreciation**

On completion (date on which an availability certificate is issued), depreciation is charged on buildings on a straight line basis to the income statement over the useful economic life of each asset. The annual rates applied to each class of asset are

Buildings	concession period 25 to 35 years – 2.9% to 4.0% straight line
Equipment	concession period 25 to 29 years straight line
	short life assets 3-4 years straight line and 12.5% – 33% reducing balance

#### **Impairment**

All assets, including financial assets, are reviewed for impairment annually at the reporting date. Where an indicator of impairment or objective evidence exists, an estimate of the asset's recoverable amount is made. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. This is at the individual project company level within the Group.

#### **Government grants**

Grants which relate to specific capital expenditure are accounted for using the accrual model. These are initially treated as deferred income and subsequently released to the income statement on a straight line basis over the asset's useful economic life. Other grants are recognised in the income statement when any associated performance conditions are met.

#### **Deferred income**

Deferred income also includes capital contributions towards the construction of fixed assets from the public sector counterparty on certain projects completed by the Group. These are accounted for using the accrual model and released to the income statement on a straight line basis over the life of the related asset.

#### **Capital instruments**

Shares are included in shareholder funds. Debt instruments, which contain an obligation to repay, are classified as liabilities. The finance costs recognised in the income statement in respect of capital instruments, other than shares, are allocated to periods over the operating life of the instrument to which they relate at a constant carrying amount in accordance with FRS 102 section 22.

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**8 Investments – Group**  
**Interests in joint ventures and associates**

	Joint ventures £000	Associates £000	Loans to joint ventures £000	Loans to associates £000	Total £000
<b>Cost or valuation</b>					
As at 1 January 2015	65,973	57,676	140,330	23,908	287,887
Additions	-	-	11,010	128	11,138
Disposals	-	-	(11)	-	(11)
Share of retained profits	22,057	7,373	-	-	29,430
Dividends receivable	(14,529)	(5,111)	-	-	(19,640)
Movement on hedge reserve	20,740	2,309	-	-	23,049
Repayment of loan	-	-	(2,188)	(245)	(2,433)
<b>As at 31 December 2015</b>	<b>94,241</b>	<b>62,247</b>	<b>149,141</b>	<b>23,791</b>	<b>329,420</b>

**Company**

The Company had no investments at 31 December 2015 (2014: none)

*The following additional information is provided in respect of equity accounted investments*

	Share of Revenue £000	Share of non- current assets £000	Share of current assets £000	Share of non-current liabilities £000	Share of current liabilities £000	Share of net assets £000
<b>31 December 2015</b>						
Joint ventures	156,867	1,495,504	267,132	1,422,200	97,052	243,382
Associates	55,159	333,589	88,228	292,597	43,151	86,038
<b>31 December 2014</b>						
Joint ventures	214,388	1,502,724	246,644	1,450,153	92,912	206,303
Associates	54,132	348,941	86,612	312,949	41,020	81,584

Investments in Group undertakings are stated at cost. The Directors consider that to give full particulars of all subsidiaries would lead to a statement of excessive length.

# **BIIF Holdco Limited** **Notes to the financial statements** For the year ended 31 December 2015

## **8 Investments (continued)**

The companies listed below are subsidiaries of the Group -

Investment	Registered office
A-Roads Investments Limited	Cannon Place 78 Cannon Street London EC4N 6AF
ABC Schools (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
ABC Schools Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Adams Campus Limited	Cannon Place 78 Cannon Street London, EC4N 6AF
Alert Communications Group Holdings Limited	33 Wigmore Street London W1U 1QX
Alert Communications (Holdings) Limited	Arnolds Cottage, Eddy Green Road, Lytchett Matravers, Poole, Dorset, BH16 6HL
Alert Communications (2006) Limited	33 Wigmore Street, London W1U 1QX
Alert Communications Limited	33 Wigmore Street London W1U 1QX
Alpha Schools (West Lothian) Holdings Limited	2nd Floor, 11 Thistle Street Edinburgh EH2 1DF
Alpha Schools (West Lothian) Limited	2nd Floor, 11 Thistle Street Edinburgh, EH2 1DF
AM Holdco Limited	Cannon Place, 78 Cannon Street London EC4N 6AF
Anavon Holdings Limited	Cannon Place 78 Cannon Street, London, EC4N 6AF
Anavon Limited	Cannon Place 78 Cannon Street London EC4N 6AF
Bannockburn Group Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Bannockburn Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Bannockburn Homes Limited	2nd Floor, 11 Thistle Street Edinburgh, EH2 1DF
Barclays Integrated Infrastructure Project sarl	16 Palace Street London SW1E 5JD
Black Hill Wind Farm Topco Limited	Beaufort Court Egg Farm Lane, Off Station Road Kings Langley, Hertfordshire, WD4 8LR
Black Hill Wind Farm Holdco Limited	Beaufort Court Egg Farm Lane, Off Station Road, Kings Langley, Hertfordshire, WD4 8LR
Black Hill Wind Farm Limited	Beaufort Court Egg Farm Lane, Off Station Road, Kings Langley Hertfordshire, WD4 8LR
BIIF Bidco Limited	Fifth Floor 100 Wood Street London EC2V 7EX
Blackshaw Healthcare Services Holdings Limited	Cannon Place 78 Cannon Street, London EC4N 6AF
Blackshaw Healthcare Services Ltd	Cannon Place 78 Cannon Street London EC4N 6AF
BIIF Holdco II Limited	Cannon Place, 78 Cannon Street London, EC4N 6AF
BIIF Holdco III Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
BIIF IssuerCo Limited	Cannon Place 78 Cannon Street, London, EC4N 6AF
BIIF Offshore Windkraft Holdings Limited	4/7 Esplanade, St Helier Jersey, JE1 0DE
BIIF Parentco Limited	Cannon Place, 78 Cannon Street London EC4N 6AF
Catchment Highland Holdings Limited	2nd Floor 11 Thistle Street, Edinburgh EH2 1DF
Catchment Highland Limited	2nd Floor, 11 Thistle Street Edinburgh, EH2 1DF
Catchment Limited	2nd Floor 11 Thistle Street Edinburgh, EH2 1DF
Catchment Moray Holdings Limited	2nd Floor, 11 Thistle Street Edinburgh, EH2 1DF
Catchment Moray Limited	2nd Floor 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Tay Holdings Limited	2nd Floor 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Tay Limited	2nd Floor, 11 Thistle Street Edinburgh, EH2 1DF
CH Bolton Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
CH Holton (Holdings) Limited	Cannon Place, 78 Cannon Street, London EC4N 6AF
Connect A50 Limited	6th Floor 350 Euston Road, Regents Place, London NW1 1AX
Connect Roads Limited	6th Floor 350 Euston Road Regents Place, London, NW1 3AX
Covesea Holdings Limited	2nd Floor 11 Thistle Street Edinburgh EH2 1DF
Covesea Limited	2nd Floor 11 Thistle Street, Edinburgh EH2 1DF
Cricklecraft Limited	Cannon Place 78 Cannon Street London LC4N 6AF
Defence Management Group (Holdings) Limited	Cannon Place 78 Cannon Street, London, EC4N 6AF
Defence Management (Holdings) Limited	Cannon Place 78 Cannon Street London, EC4N 6AF
Defence Management (Watchfield) Limited	Cannon Place, 78 Cannon Street London EC4N 6AF
Duchesspark Holdings Limited	Cannon Place, 78 Cannon Street London EC4N 6AF

# BIIF Holdco Limited

## Notes to the financial statements

### For the year ended 31 December 2015

#### Investment

Duchesspark Limited  
Dumfries Facilities (Holdings) Limited  
Dumfries Facilities Ltd  
Durham Investments Holdco Limited  
Eastbrook Facilities Holdings 2 Limited  
Eastbrook Facilities Holdings Limited  
Eastbrook Facilities Limited  
Elbon Holdings (1) Limited  
Elbon Holdings (2) Limited  
Elbon Holdings (3) Limited  
Elbon PFI Fund II  
Elbon PFI Fund (Investments) Limited  
Elgin Water Limited  
ERI Holdings Limited  
Forfar Healthcare (Holdings) Limited  
Forfar Healthcare Limited  
Grannag Limited  
GH Bodmin Holdings Limited  
GH Bodmin Limited  
GH Bury Holdings Limited  
GH Bury Limited  
GH Newham Holdings Limited  
GH Newham Limited  
HSC Investments Limited  
Luton Health Facilities (Holdings) Limited  
Luton Health Facilities Limited  
HpC King's College Hospital (Holdings) Limited  
HpC King's College Hospital (Issuer) plc  
HpC King's College Hospital Limited  
I2 Holdco Limited  
I2 Holdco 2 Limited  
I2 Holdco Limited  
Infrastructure Investors Castlehill Holdings Limited  
Infrastructure Investors Castlehill Limited  
Infrastructure Investors General Partner LLP - dormant  
Infrastructure Investors Limited - dormant  
Infrastructure Managers Limited  
Innovate East Lothian (Holdings) Limited  
Innovate East Lothian Limited  
International Water (Highland) Limited  
International Water (Tay) Limited  
International Water UU (Highland) Limited  
Investment Holdings (Genetics) Limited  
IWL Moray Montrose Limited  
IWUHH Limited  
KE Project Limited  
Kilmarnock PFI Holdings Limited  
Kilmarnock Prison Services Limited  
Kinnoull House Holdings Limited  
Kinnoull House Limited  
Kintra Limited  
Lantermidw Limited  
LH Project Limited

#### Registered office

Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
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2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
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Cannon Place, 78 Cannon Street, London, EC4N 6AF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
Hill House 1 Little New Street, London, EC4A 3TR  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
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Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF  
Cannon Place, 78 Cannon Street, London, EC4N 6AF  
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF

# BIIF Holdco Limited

## Notes to the financial statements

### For the year ended 31 December 2015

Investment	Registered office
Lochgilthead Healthcare Services (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Lochgilthead Healthcare Services Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Lowdham Grange Prison Services Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
M1-A1 Investments Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
M1-A1 Yorkshire Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Machine Bum Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Machine Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Matrix FPMS Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Matrix FPMS Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Matrix PFI Developments Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Matrix PFI GP Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Matrix PFI Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Matrix Premier Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Mulloothian Schools (Debtco) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Mulloothian Schools (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Mulloothian Schools Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Morton Prison Services Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Morris Eddie Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Newmount Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Newmount Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Newschools (Penweddig) Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Newschools (Penweddig) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Normanby Healthcare Group Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Normanby Healthcare (Holdings) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Normanby Healthcare (Projects) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
NPFI Security (Aug 2010) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Nuffield Alton Healthcare Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
NVSH Holdco Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
NVSH TopCo Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
PFI Infrastructure Company plc	St James Chambers, Athol Street, Douglas, Isle Of Man, IM1 1JE
PFI Infrastructure Finance Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
PFI Senior Funding Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
PIF Vulcans Lane Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
PIF West Cumbria Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Premier Custodial Finance Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Premier Custodial Investments Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Premier Custodial Sub debt Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Pucklechurch Custodial Services Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Reno Water Highland Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Reno Water (Moray) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Reno Water (Tay) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Robertson Education (Aberdeenshire) Group Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Robertson Education (Aberdeenshire) Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Robertson Education (Aberdeenshire) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Robertson Education (Ingleby Barwick) Group Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Robertson Education (Ingleby Barwick) Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Robertson Education (Ingleby Barwick) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Robertson Health (Chester le Street) Group Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Robertson Health (Chester le Street) Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Robertson Health (Chester le Street) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Salisbury Healthcare Facilities (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Salisbury Healthcare Facilities Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
SD Manne Services (Holdings) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
SD Manne Services Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Helios B (SIDA 11)	1 Place des Degres, 92800 Puteaux, France
Societe des Bus Hybrides Dijonnais	La Crenuere Rorthais, 79700 Mauléon, France
TBEP Investments Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Tiverton Healthcare Facilities (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**2 Turnover**

The turnover and loss before tax are attributable to the one principal activity of the Group and arise entirely from continuing operations. An analysis of revenue is given below

	31 Dec 2015 £000	31 Dec 2014 £000
United Kingdom	312,917	310,607
Other European Union	10,715	44,219
<b>Total revenue</b>	<b>323,632</b>	<b>354,826</b>

**3 Interest and similar items**

	31 Dec 2015 £000	31 Dec 2014 £000
<b>Interest payable</b>		
Interest payable on bank loans and overdrafts	(108,924)	(92,520)
Interest payable on Eurobond	(47,764)	(46,070)
Interest on long term bond	(11,266)	(12,633)
Amortisation of loan issue costs	1,009	(8,213)
<b>Total interest payable and similar items</b>	<b>(166,945)</b>	<b>(159,436)</b>
<b>Interest receivable</b>		
Bank interest receivable	804	2,964
Other interest receivable	4,476	3,256
Finance debtor interest receivable	53,643	61,492
<b>Total interest receivable</b>	<b>58,923</b>	<b>67,712</b>
<b>Net interest payable and similar items</b>	<b>(108,022)</b>	<b>(91,724)</b>

**4 Loss on ordinary activities before taxation**

	31 Dec 2015 £000	31 Dec 2014 £000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	20,725	20,686
Amortisation of fair value adjustments	30,221	30,221
Wages and salaries	4,641	3,712
Social security costs	457	359
Fee payable to the company auditor for the audit of the parent company, subsidiary companies and consolidated accounts (parent company 2015 £4,000 2014 £4,000)	816	758
Fees payable to the company auditor for other services		
- Restructuring and diligence services*	414	600
- Tax compliance services	95	-

\* A proportion of the 2014 restructuring fees were paid by the company's parent company BIIF LP  
There were 61 employees in the financial year other than the Directors (2014: 51)

None of the Directors of the Company received any remuneration from the Group during the year (2014: £nil). Attention is drawn to the payments made to certain Directors of subsidiary undertakings disclosed in note 19

# **BIIF Holdco Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **Accounting policies (continued)**

#### **Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument

Debt instruments are subsequently measured at amortised cost

Other financial instruments are subsequently measured at fair value, with any changes recognised in the income statement, with the exception of hedging instruments in a designated hedging relationship

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the income statement immediately

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised

#### **Hedge Accounting**

Some entities in the Group have entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). Some entities have also entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its principal activity (RPI swaps). These entities have designated that these arrangements are a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Group's net cash flows

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the income statement in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

#### **Capital risk management**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# **BIIF Holdco Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2015**

### **Investment**

*Tivenor Healthcare Facilities Limited*

*VLE Holdings Limited*

*Vulcan Lane Estates Limited*

*Wansbeck Healthcare Facilities (Holdings) Limited*

*Wansbeck Healthcare Facilities Limited*

*WCEM Holdings Limited*

*West Cumbria Estates Management Limited*

*West Lothian Education Limited*

### **Registered office**

*Cannon Place, 78 Cannon Street, London EC4N 6AF*

*Cannon Place, 78 Cannon Street London EC4N 6AF*

*Cannon Place, 78 Cannon Street London EC4N 6AF*

*Cannon Place 78 Cannon Street London EC4N 6AF*

*Cannon Place 78 Cannon Street London, EC4N 6AF*

*Cannon Place 78 Cannon Street, London EC4N 6AF*

*Cannon Place 78 Cannon Street, London EC4N 6AF*

*2nd Floor, 11 Thistle Street, Edinburgh EH2 1DT*

# BIUF Holdco Limited

## Notes to the financial statements

For the year ended 31 December 2015

### 8 Investments (continued)

The particulars of loans due from joint ventures and associates are

Joint ventures and associates	% holding ordinary shares	Country of Incorporation	Sector	Sum advanced £000	Interest rate applied	Date of maturity of loan	Interest received £000	Accrued income and prepayment at 31 Dec 2015 £000	Accounting period end date
Kay Health Services (Aldenhrooks) Limited	50%	England & Wales	Healthcare	3,627	11.25%	2037	409	307	31 December
Fasirax Limited	50%	England & Wales	Military	3,349	11.25%	2025	486	120	31 December
Summit Healthcare (Wishaw) Ltd	60%	Scotland	Healthcare	8,819	18.00%	2028	1,267	400	31 March
Modern Courts (Humberstone) Ltd	50%	England & Wales	Justice	1,273	13.00%	2025	165	28	30 April
Modern Courts (East Anglia) Ltd	50%	England & Wales	Justice	889	13.20%	2025	117	-	31 December
The Education Support Company (Lewisham) Ltd	50%	England & Wales	Education	1,442	13.00%	2028	192	47	31 March
Consort Healthcare (Durham) Limited	50%	England & Wales	Healthcare	4,711	LIBOR + 6%	2028	205	82	31 December
Genistics Ltd	50%	England & Wales	Military	8,276	13.50%	2020	1,082	563	31 December
Connect M1-A1 Limited	50%	England & Wales	Transport	3,554	15.00%	2016	825	109	31 March
PPP Services (North Ayrshire) Limited	55%	Scotland	Education	4,147	14.00%	2037	642	124	31 December
FCC (East Ayrshire) Limited	45%	Scotland	Education	1,649	9.00%	2037	131	83	31 December
Consort Healthcare (Edinburgh Royal Infirmary) Ltd	50%	Scotland	Education	7,615	LIBOR + 6%	2023	512	183	31 December
Glasgow Healthcare Facilities Ltd	50%	Scotland	Healthcare	9,700	11.75%	2039	1,234	336	31 December
Stobhill Healthcare Facilities Limited	60%	Scotland	Healthcare	1,206	11.25%	2031/2042	160	53	31 December
Sewall Education (York) Limited	50%	England & Wales	Education	-	-	-	-	-	31 December
Stirling Gateway Limited	50%	Scotland	Education	3,309	11.50%	2039	447	112	31 March
Sheppey Route Limited	50%	England & Wales	Transport	2,789	12.75%	2033	359	349	31 December
Blue Transmission Walney 1 Limited	50%	Jersey	Energy	6,620	7.88% + RPI	2031	750	131	31 March
Blue Transmission Walney 2 Limited	50%	Jersey	Energy	7,772	7.88% + RPI	2031	772	182	31 March
Blue Transmission London Array Limited	50%	England & Wales	Energy	38,774	8.21%	2033	3,177	802	31 March
Blue Transmission Sheringham Shoal Limited	50%	England & Wales	Energy	11,655	9.5%	2033	1,122	279	31 March

# **BIIF Holdco Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

Joint ventures and associates	% holding ordinary shares	Country of Incorporation	Sector	Sum advanced £000	Interest rate applied 12 10/2	Date of maturity of loan	Interest received £000	Accrued income and prepayment at 31 Dec 2015 £000	Accounting Period end date
The Walhall Hospital Company Limited	50%	England & Wales	Healthcare	8,076	-	2040	994	250	31 December
Hounslow Highways Services Limited	50%	England & Wales	Transport	-	-	-	-	-	31 December
Héllos A SPV (SIDA 12)	56%	France	Justice	7,420	8.618%	2041	-	165	December
Ligorea SPV (SIDA 13)	60%	France	Education	2,501	8.606%	2037	43	62	28 February
Road Management Group Limited	42%	England & Wales	Transport	4,804	12.00%	2022	1,283	7,073	31 December
Road Management Services (Darnington) Limited	25%	England & Wales	Transport	3,197	10.00%	2036	328	81	December
Catalyst Healthcare (Calderdale) Ltd	20%	England & Wales	Healthcare	638	15.00%	2031	96	8	31 December
Catalyst Healthcare (Worcester) Ltd	17%	England & Wales	Healthcare	654	8.40%	2031	88	-	31 December
Albion Healthcare (Oxford) Limited	25%	England & Wales	Healthcare	1,174	12.26%	2036	144	73	31 December
City Greenwich Lewisham Rail Link plc	40%	England & Wales	Transport	-	-	-	-	-	31 December
Connect A10315 Limited	15%	England & Wales	Transport	-	-	-	-	-	31 March
Connect M77 / GSO Limited	15%	England & Wales	Transport	3,553	12.10%	2035	379	2,790	31 March
Enblum Schools Limited	30%	Scotland	Education	1,681	13.75%	2032	231	58	31 March
Manchester Schools Services Limited	25%	England & Wales	Education	7,732	12.85%	2031	92	8	31 December
CSM PPP Services Limited	25%	Ireland	Education	-	-	-	-	-	31 December
Bangor and Nandrum Schools Services Limited	20%	Northern Ireland	Education	-	-	-	-	-	31 December
Salford Schools Solutions Limited	25%	England & Wales	Education	-	-	-	-	-	31 December
The Edinburgh Schools Partnership Limited	17%	Scotland	Education	206	13.07%	2033	33	9	December
Lighting for Staffordshire Limited	40%	England & Wales	Transport	153	13.18%	2025	22	5	31 March
									31 December

The Group accounts for an investment as an associate when it has significant influence but not control. This is typically demonstrated when the Group nominates one or more Directors to the board of the investment. Where the shareholder agreements stipulate that all shareholders with board representation must consent to the approval of key matters the Group designates the investment to be a joint venture, even if the equity holding is not 50%.

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**9 Debtors: amounts falling due within one year**

	<b>Group</b> <b>31 Dec 2015</b> <b>£000</b>	<b>Group</b> <b>31 Dec 2014</b> <b>£000</b>	<b>Company</b> <b>31 Dec 2015</b> <b>£000</b>	<b>Company</b> <b>31 Dec 2014</b> <b>£000</b>
Trade debtors	14,443	14,030	-	-
Finance debtor	43,115	48,212	-	-
Amounts due from bank (note 10)	12,280	11,640	-	-
Prepayments and accrued income	34,138	33,201	-	-
Other debtors	32,972	31,083	-	-
Corporation tax recoverable	673	-	-	-
	<u>137,621</u>	<u>138,166</u>	<u>-</u>	<u>-</u>

The Group has no receivables which are impaired or past due. Refer to note 21 for further information in relation to credit risk exposure in the Group.

**10 Debtors: amounts falling due after one year**

	<b>Group</b> <b>31 Dec 2015</b> <b>£000</b>	<b>Group</b> <b>31 Dec 2014</b> <b>£000</b>	<b>Company</b> <b>31 Dec 2015</b> <b>£000</b>	<b>Company</b> <b>31 Dec 2014</b> <b>£000</b>
Amounts due from bank	208,314	226,982	-	-
Finance debtor	1,099,556	1,149,770	-	-
Derivative financial instruments	57,053	66,158	-	-
Deferred tax asset	61,790	52,086	-	-
	<u>1,426,713</u>	<u>1,494,996</u>	<u>-</u>	<u>-</u>

Amounts due from bank represents debt due from project companies within the Group, which was the subject of a sub-participation agreement between the bank and a subsidiary company (PFI Senior Funding Limited) dated 28 July 2011. These loans are secured by a fixed and floating charge over all the assets, rights and undertakings of the individual project companies. Each project has an individual repayment profile with the final payment being settled at the end of each project concession.

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**11. Creditors: amounts falling due within one year**

	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Trade creditors	13,194	18,547	-	-
Other creditors	26,581	60,047	-	-
Accruals	85,598	74,649	-	-
Corporation taxation	-	124	-	-
Other taxes and social security costs	6,266	5,779	-	-
Finance leases	2,139	1,934	-	-
Bank loans (note 12(a))	160,192	161,001	-	-
Guaranteed secured bonds (note 12(c))	8,634	5,551	-	-
Other loans (note 12(d))	4,780	3,074	-	-
Deferred income (note 12(g))	13,150	4,198	-	-
	<u>320,534</u>	<u>334,904</u>	<u>-</u>	<u>-</u>

**12. Creditors: amounts falling due after one year**

	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Bank loans (note 12(a))	1,280,761	1,350,960	-	-
Eurobond (note 12(b))	617,875	575,874	-	-
Guaranteed secured bonds (note 12(c))	150,969	158,544	-	-
Other loans (note 12(d))	7,363	16,254	-	-
Zero Coupon Bond (note 12(e))	3,758	3,408	-	-
Other creditors (note 12(f))	12,791	8,976	-	-
Deferred income (note 12(g))	40,938	41,101	-	-
Finance leases (note 12(h))	181	2,457	-	-
	<u>2,114,636</u>	<u>2,157,574</u>	<u>-</u>	<u>-</u>

The repayment of bank and other loans is due as follows

Group	31 Dec 2015 £000	31 Dec 2014 £000
Due within one year	145,466	164,075
Due between one and two years	574,900	561,686
Due between two and five years	157,543	129,397
Due in more than five years	575,187	676,131
	<u>1,453,096</u>	<u>1,531,289</u>

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**12 Creditors: amounts falling due after one year (continued)**

*(a) Bank loans*

The total amount drawn down under bank loans at the year-end was £1,476,322,000 (2014: £1,534,946,000). Costs of £35,369,000 (2014: £22,985,000) have been set off against the total loan drawdowns, with £1,009,000 (2014: £8,213,000) of these credited to the income statement in the year.

An amount of £836,239,525 (2014: £817,651,000) relates to two senior banking facilities. The first facility relates to the finance of 18 PFI projects and is secured by a fixed and floating charge over the assets of these projects. This facility expires on 30 Sept 2035. During the year the second banking facility was refinanced into two loan facilities: Facility A £483,507,000 which expires on 31 December 2025, and Facility B £50,000,000 which is scheduled to be fully repaid by 31 December 2035. These new facilities are secured over the distributions and shareholder loan payments from all companies, excluding those secured under the first facility. The loan facilities have principal payments due on a six monthly basis. The Company has interest rate swap arrangements and under these arrangements the Company receives interest on a variable basis and also pays interest at 7.008%. Facility B has a fixed lending rate of 4.182%. The other bank loan of £302,732,865 receives interest on a variable basis and pays interest at a fixed rate of 8.55%. This loan will be repaid by 30 September 2035.

The remaining facilities relate to borrowings held by individual project subsidiary companies and they are secured by way of fixed and floating charges over the assets of the specific project company which holds the borrowings. Maturity of these facilities ranges from 2016 to 2035. Interest payable on the Group's bank loans ranges from rates of 5.11% to 7.99%.

*(b) Eurobond*

A subsidiary in the Group has issued a Eurobond totalling £617,875,000 (2014: £575,874,000) which was subscribed for in full by the ultimate parent entity, BIIF LP. This Eurobond bears interest at 8% per annum and falls due for repayment on 9 January 2019.

*(c) Secured bonds*

A subsidiary has issued, at par value, £87,190,000 (2014: £87,190,000) 3.443% index-linked guaranteed secured bonds due 2004-2036. The bond is secured by way of a fixed and floating charge over the assets of the subsidiary and two immediate holding companies. Both the interest and principal balances are adjusted for the increase in the Retail Price Index at six monthly intervals, which cumulatively at 31 December 2015 amounted to 56.7% (2014: 54.6%).

A subsidiary has issued £79,314,000 (2014: £79,314,000) 7.12% secured bonds which are due 2028. The bond is secured by way of a fixed and floating charge over the assets of the subsidiary.

The maturity profile of all bonds is as follows:

	31 Dec 2015 £000	31 Dec 2014 £000
Amounts repayable in one year or less or on demand	8,634	5,551
Between one and two years	8,340	6,745
Between two and five years	637,570	596,990
Over five years	128,029	135,492
	<hr/> 782,573	<hr/> 744,778
Unamortised finance costs associated with the bond issue	(1,337)	(1,401)
	<hr/> 781,236	<hr/> 743,377
Included within creditors: amounts falling due within one year	(8,634)	(5,551)
Amounts falling due after one year	<hr/> 772,602	<hr/> 737,826

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**12 Creditors: amounts falling due after one year (continued)**

*(d) Other loans (all unsecured)*

A subsidiary in the group has issued loan notes totalling £948,000 (2014: £897,000) which bear interest at 13.5%. Of this balance, £661,000 (2014: £610,000) represents unpaid interest on the loan notes and is due for payment within twelve months. The balance falls due for payment on 31 March 2032.

A subsidiary in the group has issued a £35,000 (2014: £31,000) loan stock instrument. The loan bears a Coupon of 13.5% per annum and payment of capital falls due in the year 2035. The Coupon on the principal amount accrues daily and is payable on 30 September and 31 March each year. The amount is charged to the income statement as interest falls payable. The sum was advanced under a subordinated loan agreement and is, therefore, unsecured and would rank alongside ordinary creditors in the event of a winding up.

The same subsidiary also issued a £127,000 (2014: £121,000) subordinated loan note issued at a price of 20 pence for each £1 in nominal value of loan stock held. The loan bears a Coupon of 13.5% per annum and payment of capital falls due in the year 2035. The Coupon on the principal amount accrues daily and is payable on 30 September and 31 March each year. The sums were advanced under a subordinated loan agreement and rank alongside ordinary creditors but above the loan stock detailed above in the event of a winding up.

The same subsidiary also issued a £267,000 (2014: £267,000) subordinated loan note. The loan bears a Coupon of 13.5% per annum and payment of capital falls due in the year 2035. The Coupon on the principal amount accrues daily and is payable on 30 September and 31 March each year. The sums were advanced under a subordinated loan agreement and rank alongside ordinary creditors but above the loan stock detailed above in the event of a winding up.

A subsidiary in the group has issued an unsecured loan with a value of £1,033,000 (2014: £1,033,000) due 2037, bearing interest at 13.04%.

A subsidiary in the group has issued loan stock with a value of £591,000 (2014: £709,000). The loan stock bears interest at 14% per annum and is repayable in semi-annual instalments with the final payment due on 31 August 2018.

A subsidiary in the group has issued loan stock with a value of £715,000 (2014: £715,000) bearing interest at 13% per annum. Of this balance, £64,000 (2014: £64,000) represents unpaid interest on the loan notes and is due for payment within twelve months. The principal is repayable in full in February 2036.

A subsidiary in the group has issued loan stock with a value of £309,000 (2014: £1,854,000) bearing interest at 9% and is repayable in instalments to December 2019.

A subsidiary in the group has issued loan stock with a value of £2,313,000 (2014: £3,707,000). The loan stock bears interest at 13% and has repayment dates between 15 December 2012 and 15 December 2017.

A subsidiary in the group has issued loan stock with a value of £5,805,000 (2014: £6,259,000). The loan stock bears interest at the rate per annum determined by the lender which will be calculated according to the aggregate of margin, LIBOR, and mandatory costs. The debt is repayable in 41 consecutive six monthly instalments, the first of which was repaid in August 2002 with the final instalment due on 31 August 2023.

A subsidiary in the group has issued loan stock with a value of £nil (2014: £3,356,000). The loan is interest free and is repayable between 31 March 2016 and September 2025.

*(e) Zero coupon bond*

A subsidiary company has issued a zero coupon bond with a redemption value of £8,000,000 (2014: £8,000,000) on 3 October 2022. This bond was issued at a discount value of £633,000 which is amortised to maturity at a constant rate on the carrying amount of the debt.

# **BIIF Holdco Limited** **Notes to the financial statements** For the year ended 31 December 2015

## **12 Creditors: amounts falling due after one year (continued)**

### *(f) Other creditors*

Included in other creditors is a decommissioning provision of £379,000 (2014 £345,000) which provides for the future costs of decommissioning a wind farm. The provision has been discounted at an annual rate of 10% and this discount is charged to the statement of comprehensive income until 2027, the estimated date of decommissioning.

### *(g) Deferred income*

Group	31 Dec 2015 £000	31 Dec 2014 £000
As at 1 January	45,299	45,532
Arising during the period	11,942	-
Amortised during the period	(2,151)	(233)
Foreign exchange translation adjustment	(1,002)	-
As at 31 December	<u>54,088</u>	<u>45,299</u>

Deferred income is divided as follows

- In fourteen projects, on completion of construction of the facilities, the public sector client made payments to the respective project companies (Eastbrook Facilities Limited, Covesea Limited, GH Newham Limited, GH Bodmin Limited, Kintra Limited, Bannockburn Homes Limited, KE Project Limited, LH Project Limited, Machine Limited, NewSchools (Penweddig) Limited, Connect A50 Limited, Innovate East Lothian Limited, Blackshaw Healthcare Services Limited and Adams Campus Limited) as a contribution to the capital cost of the works. These contributions were deferred and will be amortised over the life of the project. The balance as at 31 December 2015 was £27,861,000 (2014 £28,823,000).
- £9,790,000 (2014 £13,781,000) in respect of funding grants which will be amortised over the lifetime of the PFI concession contract
- £5,524,000 (2014 £5,864,000) received following the arrangement of an RPI SWAP which will be amortised over the lifetime of the contract
- £10,913,000 (2014 £nil) in respect of asset renewal underspend. £11,942,000 was acquired in the year in respect of asset renewal underspend.

Of the balance at the year-end, it is expected that £13,150,000 (2014 £4,198,000) will be realised within 12 months and £40,938,000 (2014 £41,101,000) will be realised after 12 months.

### *(h) Finance leases*

The future minimum finance lease payments are as follows

#### **Group**

	31 Dec 2015 £000	31 Dec 2014 £000
Not later than one year	2,139	1,934
Later than one year and not later than five years	181	2,457
	<u>2,320</u>	<u>4,391</u>

#### **Company**

The Company did not have any finance leases at 31 December 2015 (2014 none)

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**13 Derivative financial instruments**

	<b>Group</b> <b>31 Dec 2015</b> <b>£000</b>	<b>Group</b> <b>31 Dec 2014</b> <b>£000</b>	<b>Company</b> <b>31 Dec 2015</b> <b>£000</b>	<b>Company</b> <b>31 Dec 2014</b> <b>£000</b>
<b>Liabilities</b>				
Interest rate swaps	431,915	420,008	-	-
RPI swaps	93,544	139,498	-	-
	<u>525,459</u>	<u>559,506</u>	<u>-</u>	<u>-</u>

**14 Deferred taxation**

<b>Group</b>	<b>31 Dec 2015</b> <b>£000</b>	<b>31 Dec 2014</b> <b>£000</b>
As at 1 January	6,909	4,456
Prior year adjustment	(258)	(316)
Revised balance as at 1 January	<u>6,651</u>	<u>4,140</u>
Deferred tax disposed	-	315
Movement through other comprehensive income	6,887	-
Deferred tax charge/(credit) for the year	(6,819)	2,454
As at 31 December	<u>6,719</u>	<u>6,909</u>
<b>Analysis of deferred tax balances:</b>		
Accelerated capital allowances	76,699	94,040
Derivatives	(61,790)	(52,334)
Other timing differences	9,249	(5,487)
Losses	(17,439)	(29,310)
	<u>6,719</u>	<u>6,909</u>

The Group has an un-provided deferred tax asset of £28,182,000 (2014 £59,750,000). The deferred tax asset arises on unrelieved losses within certain Group companies. This asset would be recoverable if the Group companies made sufficient taxable profits in future periods against which the losses could be offset.

**15 Called up share capital**

<b>Group and Company</b>	<b>31 Dec 2015</b> <b>£</b>	<b>31 Dec 2014</b> <b>£</b>
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Issued, called up and fully paid</b>		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

**BIIF Holdco Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**16 Net cash flow from operating activities**

Reconciliation of profit to net cash (outflow)/inflow from operating activities	31 Dec 2015 £000	31 Dec 2014 £000
Operating profit	58,757	51,012
Reversal of impairment of investments	(4,611)	(3,403)
Depreciation charge	20,725	20,686
Amortisation of fair value adjustments	15,787	15,787
Amortisation of deferred income	(8,789)	233
Decrease/(Increase) in debtors	47,832	(3,198)
(Decrease)/Increase in creditors	(8,656)	37,445
<b>Net cash (outflow)/inflow from operating activities</b>	<b>121,045</b>	<b>118,562</b>

**17 Reconciliation of cash and cash equivalents**  
Cash and cash equivalents comprise the following

	1 Jan 2015 £000	Cash flow £000	Non- cash movements £000	31 Dec 2015 £000
Cash in hand and at bank	222,746	(2,144)	-	220,602
Debt payable within one year	(171,560)	(4,185)	-	(175,745)
Debt payable after one year	(2,107,497)	38,387	(4,588)	(2,073,698)
	<u>(2,279,057)</u>	<u>34,202</u>	<u>(4,588)</u>	<u>(2,249,443)</u>
Loan payments receivable within one year	11,640	640	-	12,280
Loan payments receivable after one year	226,982	(18,668)	-	208,314
	<u>238,622</u>	<u>(18,028)</u>	<u>-</u>	<u>220,594</u>
<b>Total</b>	<b>(1,817,689)</b>	<b>14,030</b>	<b>(4,588)</b>	<b>(1,808,247)</b>

# **BIIF Holdco Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **18 Parent undertaking and ultimate controlling party**

The ultimate parent and controlling entity is BIIF LP. BIIF LP is owned by a number of investors, with no one investor having individual control.

### **19 Related party transactions**

The Group paid £41,479 (2014: £41,250) to the Sodexo Group for the services of the Sodexo employees as directors to HpC King's College Hospital (Holdings) Limited, a subsidiary of the Group in which Sodexo hold a minority interest. At 31 December 2015, £nil (2014: £nil) remained outstanding.

Sodexo Group also manage the non-clinical services for HpC Kings College Hospital (Holdings) Limited, a subsidiary of the Group in which the Sodexo Group hold a minority interest. The amount charged for these services was £nil (2014: £nil). At 31 December 2015, £9,092 (2014: £9,092) remained outstanding.

Sodexo Group also manage the lifecycle and estate services for HpC Kings College Hospital (Holdings) Limited, a subsidiary of the Group in which the Sodexo Group hold a minority interest. The amount charged for these services was £1,342,319 (2014: £1,314,709). At 31 December 2015, £nil (2014: £nil) remained outstanding.

A Director of Innovate East Lothian Limited during the period is also a Director of FES FM Limited. FES FM Limited provided facilities management services to the Company. The amount charged for these services was £3,667,439 (2014: £3,498,604). At 31 December 2015, £727,734 (2014: £704,458) remained outstanding. All contracts are carried out at arms-length.

A Director of Innovate East Lothian Limited during the period is also a Director of FES Limited. FES Limited is the holder of loan notes issued by Innovate East Lothian Limited totalling £394,444 (2014: £388,096) and loan notes issued by Innovate East Lothian (Holdings) Limited totalling £35,000 (2014: £31,000).

The Group has subcontracted the design, build, operation and maintenance of Alert Communications Group Holdings Limited to Babcock Communications Limited, a company which, through an intermediary holding company, holds a minority interest in Alert Communications Group Holdings Limited. During the year Alert Communications Limited was invoiced £3,293,496 (2014: £3,372,153) by Babcock Communications Limited in connection with operation and maintenance fees. At 31 December 2015, £549,468 (2014: £538,948) remained outstanding.

Veolia manage the operational activities of Catchment Limited, Catchment Moray Limited and Catchment Tay Limited, subsidiaries of the Group in which Veolia Group hold a minority interest. The total invoices raised in the year in respect of these services amounted to £11,852,372 (2014: £11,594,596). At 31 December 2015, £1,825,585 (2014: £2,346,679) remained outstanding.

Balfour Beatty Investments Limited, a subsidiary of Balfour Beatty plc, is employed under a Secondment Arrangement with Connect A50 Limited for the provision of managerial staff. The value of the services provided in the year was £395,000 (2014: £395,000). At 31 December 2015, £nil (2014: £nil) remained outstanding.

Balfour Beatty Infrastructure Services Limited, a subsidiary of Balfour Beatty plc, is employed under a contract with Connect A50 Limited for the provision of technical supervision and maintenance of a roadway. The value of the contract in the year was £4,673,000 (2014: £4,673,000). At 31 December 2015, £nil (2013: £nil) remained outstanding.

The group has subcontracted the design, build, operation and maintenance of Societe Des Bus Hybrids Dijonnais to Heuliez Bus, a company which holds a minority interest in Societe Des Bus Hybrids Dijonnais. During the year Societe Des Bus Hybrids Dijonnais was invoiced £500,235 (2014: £444,777) by Heuliez Bus for these services. At 31 December 2015, £85,595 (2014: £47,336) remained outstanding.

The Group has subcontracted the design, build and management through construction of Helios B to Spie Batignolles, a company which holds a minority interest in Helios B. Spie Batignolles also receives a reimbursement of the costs of a corporate guarantee. During the year Helios B was invoiced £9,542,240 (2014: £35,210,447) by Spie Batignolles in connection with these services. At 31 December 2015, £5,152 (2014: £1,967,920) remained outstanding.

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**20 Pension**

The Company operates a defined contribution pension scheme for its employees  
The amount recognised as an expense in the statement of comprehensive income was

	31 Dec 2015 £000	31 Dec 2014 £000
Current period contributions	<u>285</u>	<u>231</u>

**21 Financial instruments**

**(a) Carrying amount of financial instruments**

	31 Dec 2015 £000	31 Dec 2014 £000
Assets measured at amortised costs	1,531,791	1,609,811
Assets measured at cost less impairment	329,420	287,887
Assets measured at fair value	57,053	66,158
Liabilities measured at fair value through profit and loss	(525,459)	(559,506)
Liabilities measured as amortised cost	<u>(2,234,332)</u>	<u>(2,274,666)</u>

**(b) Financial instruments measured at fair value**

*Derivative financial instruments*

The fair value of interest rate swaps is based on valuations provided by the swap counterparties. Those valuations 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.

The interest rates used to discount estimated cash flows, where applicable are based on market interest rates.

The fair value of RPI swaps is based on valuations provided by the swap counterparties. Those valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market forecast inflation rates.

The amount of change in fair value attributable to own credit risk cannot be measured reliably.

The derivative contracts used by the group are typical for PFI projects. Where projects are debt-funding, interest on the loan is calculated by reference to a floating rate. Interest rate swaps hedge Libor fluctuations and mitigate the risk that debt interest costs will fluctuate as Libor fluctuates. The full amount of the senior debt service payment is hedged in this way.

RPI swaps are used to hedge fluctuations in the inflation index which is relevant for the project. Low inflation would otherwise cause a shortfall in cash with which to make senior debt service payments. RPI swaps are structured in such a way to ensure that any volatility in cash flow for senior debt service that could arise due to inflation fluctuations is effectively neutralized.

Interest rate swaps and RPI swaps, where used, are conditions imposed on the PFI project company by the senior debt provider to ensure stability in cash flows.

**(c) Hedge accounting**

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and affect profit and loss as required by FRS 102 29(a) for the cash flow hedge accounting models.

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**21 Financial instruments (continued)**

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
<b>Period ended 31 December 2015</b>						
<b>Interest rate swaps:</b>						
Liabilities	431,915	431,915	43,238	170,882	46,828	170,967
<b>RPI swaps:</b>						
Liabilities	93,544	93,544	9,364	37,010	10,142	37,028
<b>Period ended 31 December 2014</b>						
<b>Interest rate swaps:</b>						
Liabilities	405,783	405,783	43,479	148,844	34,289	179,171
<b>RPI swaps:</b>						
Liabilities	139,498	139,498	14,947	51,169	11,788	61,594

The group uses hedge accounting in line with FRS102 12

Interest rate swaps are used as a hedging instrument against a floating rate loans as the hedged item. RPI swaps are used as a hedging instrument against that portion of unitary payment receipts which are required to make periodic senior debt service payments.

Fair value of these hedging instruments are reported in note 16. The amount of the change in fair value of the hedging instruments recognised in other comprehensive income for the period and the amount that was recycled to profit or loss for the period are shown in the statement of consolidated other comprehensive income.

**(d) Fair values**

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

	Fair value 31 Dec 2015 £000	Fair value 31 Dec 2014 £000
Interest rate swap contracts	374,862	353,850
RPI swap contracts	93,544	139,498

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**22. Transition to FRS 102**

This is the first year that the Group has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

<b>Profit for the financial year</b>		<b>31/12/2014</b>
		<b>£'000</b>
UK GAAP - As previously reported		(127,545)
Hedge reserve	A	78,043
Investment properties	B	(148)
Effective Interest Rate adjustment on bank loans	C	161
Deferred tax impact of adjustments	D	(9,189)
Total adjustment to profit for the financial year		<u>68,867</u>
FRS 102		<u>(58,678)</u>
<b>Other Comprehensive Income</b>		<b>31/12/2014</b>
		<b>£'000</b>
UK GAAP - As previously reported		(654)
Derivative financial instruments	A	(68,991)
Investment properties	B	148
Non-controlling interest		(489)
Share of Joint venture and Associate other comprehensive income	E	(40,207)
Tax relating to components of other comprehensive income		
- Derivative financial instruments		<u>(421)</u>
FRS 102		<u>(110,614)</u>
<b>Total Equity</b>		<b>01/01/2014</b>
		<b>£'000</b>
UK GAAP - As previously reported		(271,055)
Derivative financial instruments		(23,277)
Derivative financial instruments of joint ventures and associates		(117,283)
Effective Interest Rate adjustment to bank loans		(5,192)
Deferred taxation		<u>61,903</u>
FRS 102		<u>(354,904)</u>
		<b>31/12/2014</b>
		<b>£'000</b>
UK GAAP - As previously reported		(399,255)
Derivative financial instruments		(14,225)
Derivative financial instruments of joint ventures and associates		(157,489)
Effective Interest Rate adjustment to bank loans		(5,031)
Deferred taxation		<u>52,293</u>
FRS 102		<u>(523,707)</u>

**A Derivative Financial Instruments**  
FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the Group did not recognise these instruments in the financial statements, however hedge accounting was not applied. With the change to FRS102 the group has taken the opportunity to review its accounting treatment in respect of derivative financial statements which are now hedged. Accordingly, at transition a hedging reserve of £269,095,000 was recognised.

**B Investment Properties**  
Under FRS 102, changes in the fair value of investment properties are recorded in the statement of comprehensive income. Under previous UK GAAP these changes were recorded in the Statement of Total Recognised Gains and Losses.

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**22 Transition to FRS 102 (continued)**

**C Effective Interest Rate adjustment to bank loans**

Under FRS 102, debt instruments must be recorded at amortised cost using the effective interest method. On transition the loans were increased by £2,056,000 with a further £160,000 credit recognised in the statement of comprehensive income for the year ended 31 December 2014.

**D Deferred taxation**

The Group has accounted for deferred taxation on transition as follows:

(a) Derivative financial instruments – Deferred tax of £60,834,000 has been recognised at 20% on the liability recognised on transition at 1 January 2014. In the year ended 31 December 2014 the company has recognised a credit of £421 in the statement of comprehensive income in respect of the increase in the value of derivative financial instruments.

(b) Investment Properties - Deferred tax of £30,000 has been recognised at 20% of the gain/loss on revaluation.

(c) Effective Interest Rate adjustment to bank loans - Deferred tax of £1,039,000 has been recognised at 20% of the adjustment. The deferred tax balance will be amortised on a straight line basis over a 10 year period.

**E Share of Joint Venture and Associate other comprehensive income**

As FRS 102 requires derivative financial instruments to be recognised at fair value, and brought on to the balance sheet, if an investment has chosen to hedge account for derivatives, then the Group's share of movements on the cash flow hedge is reflected in the Other Comprehensive Income of the group. Previously under UK GAAP the Group did not recognise a share of these instruments in the financial statements.

**F Statement of cash flows**

The Group's statement of cash flows reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.