

COMPANY REGISTRATION NUMBER 07195004

ESSEX SCHOOLS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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ESSEX SCHOOLS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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ESSEX SCHOOLS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

P Bannister
J Desai
P Geall
D Kinchlea
J Pedretti
A Trow
N Mackee
R Gillespie
D Field
P Would

Company secretary

Imagile Secretariat Services Limited (formerly MAMG Company
Secretarial Services Limited)

Registered office

Third Floor Broad Quay House
Prince Street
Bristol
United Kingdom
BS1 4DJ

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Banker

Lloyds
Western Branch
60 Conduit Street
London
W1S 2GA

Solicitor

Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

ESSEX SCHOOLS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their strategic report for the year ended 31 March 2017.

Business review

Solid progress has again been made during the year on all aspects of the project.

On the hard and soft facilities management aspects of the Project scope, the Company continued to provide services at or above contractual performance and availability targets.

Development and financial performance during the year

As reported in the Company's statement of profit and loss and other comprehensive income on page 7, revenue has increased by £15,000 in 2017 to £2,865,000 from £2,850,000 in 2016 in line with expectations.

The profit for the year after taxation was £113,000 (2016: loss of £11,000). Operations were in line with expectation for the period. The directors consider the results for the year satisfactory.

Key performance indicators (KPIs)

The key performance indicator for the Company is the level of performance and unavailability deductions levied by the client, since this reflects the quality of service being provided. During the period all deductions have been passed to the service provider subcontractor.

Going concern

The directors, noting the Company's net liabilities position, have reviewed the cash flow forecast and project model and taking into account reasonable possible risks in operations to the Company and the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for Education they believe that the Company will be able to settle its liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

Principal risks and uncertainties

Essex County Council ("the Authority") is the sole client of the Company but the directors consider that no risk arises from this since the authority's obligations are underwritten by The Government.

Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten by parent company guarantees.

Financial risk management policies and objectives

The Company's principal financial instruments comprise short term bank deposits and bank debt. The Company has in place hedging arrangements to eliminate risk from interest rate movements.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. The Company's funding has been arranged using the principles of project finance with the terms of the financial instruments, and the resulting profile of the debt service costs, tailored to match the expected revenues arising from the concession agreement.

The Company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Group's performance. The Directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The bank loan and subordinated debt interest rates have been fixed through use of fixed funding rates, plus a margin. Details of these can be found in note 17.

ESSEX SCHOOLS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

Financial risk management policies and objectives (continued)

Inflation risk

The Group's project revenue and most of its costs are linked to inflation at the inception of the project, however, in addition, suitable hedging has been put in place to cover the surplus revenue that is not linked to related indexed costs. Details of these can be found in note 17.

Liquidity risk

The Group adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The Group receives the bulk of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

By order of the board



P Bannister
Director

Third Floor Broad Quay House
Prince Street
Bristol
United Kingdom
BS1 4DJ

17th December 2017

ESSEX SCHOOLS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The Directors present their annual report and the audited financial statements of Essex Schools Limited for the year ended 31 March 2017.

Principal activities

Essex Schools Limited is the special purpose company set up to contract with Essex County Council in relation to the design, build, finance and operation of a number of schools in the Essex area under the Essex Schools BSF Project.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

Results and dividends

The profit for the year amounted to £113,000 (2016: loss of £11,000).

During the year under review the Company made a profit on ordinary activities before taxation of £184,000 (2016: profit of £120,000). There was a tax charge of £71,000 (2016: charge of £131,000) giving a profit after taxation for the year of £113,000 (2016: loss of £11,000). The directors have not recommended a dividend (2016: £nil).

Directors

The directors who served the Company during the year and since the year end were as follows:

P Andrews (resigned 11 January 2017)
P Bannister
J Desai
Equitix Education Limited (resigned 9 May 2017)
P Geall
D Kinchlea
J Pedretti
G Shields (resigned 9 May 2017)
A Trow
N Mackee (appointed 11 January 2017)
R Gillespie (appointed 9 May 2017)
D Field (appointed 9 May 2017)
P Would (appointed 9 May 2017)

Political contributions

The company made no political contributions during the current or previous period.


Disclosure of information to the auditor

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

Auditor

During the year, KPMG LLP resigned as auditors and BDO LLP were appointed as auditors in their place. BDO LLP have expressed their willingness to continue in office.

By order of the Board



P Bannister

Director

17 December 2017

ESSEX SCHOOLS LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX SCHOOLS LIMITED

FOR THE YEAR ENDED 31 MARCH 2017

We have audited the financial statements of Essex Schools Limited for the year ended 31 March 2017 which comprise the statement of profit and loss and other comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

Scope of the audit of the financial statements is provided on the Financial Reporting Council's Website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

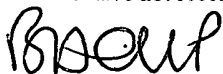
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the strategic report and directors report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report of the directors' report.

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

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



Alexander Tapp (Senior Statutory Auditor)

for and on behalf of BDO LLP, Statutory Auditor

55 Baker Street

London

W1U 7EU

14 December 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ESSEX SCHOOLS LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000	2016 £000
Turnover	3	2,865	2,850
Cost of sales		(2,304)	(2,293)
Gross profit		561	557
Administrative expenses		(329)	(319)
Operating profit	4	232	238
Interest receivable	5	5,657	5,759
Interest payable and similar charges	6	(5,705)	(5,877)
Profit on ordinary activities before taxation		184	120
Tax charge on profit on ordinary activities	7	(71)	(131)
Profit/(loss) for the financial year		113	(11)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Effective portion of fair value changes in cash flow hedges		(333)	(759)
Tax recognised in relation to change in fair value cashflow hedges		(175)	(311)
Other comprehensive income for the year		(508)	(1,070)
Total comprehensive loss for the year		(395)	(1,081)

All of the activities of the Company are classed as continuing.

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

ESSEX SCHOOLS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £000	2016 £000
Current assets			
Debtors (including £72,423k (2016: £74,171k) due after more than one year)	8	72,725	75,200
Cash at bank		5,321	5,372
		<u>78,046</u>	<u>80,573</u>
Creditors: amounts falling due within one year	9	<u>(3,920)</u>	<u>(3,900)</u>
Net current assets		<u>74,125</u>	<u>76,673</u>
Total assets less current liabilities		<u>74,125</u>	<u>76,673</u>
Creditors: amounts falling due after more than one year	10	<u>(96,798)</u>	<u>(98,951)</u>
Net liabilities		<u>(22,673)</u>	<u>(22,278)</u>
Capital and reserves			
Share capital	15	-	-
Profit and loss account		(3,180)	(3,293)
Cashflow hedge reserve	15	<u>(19,493)</u>	<u>(18,985)</u>
Shareholders' deficit		<u>(22,673)</u>	<u>(22,278)</u>

These financial statements were approved by the directors and authorised for issue on 17th December 2017, and are signed on their behalf by:



P Bannister
Director

Company Registration Number: 07195004

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

ESSEX SCHOOLS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2015	-	(17,915)	(3,282)	(21,197)
Total comprehensive income for the year				
Loss for the financial year	-	-	(11)	(11)
Other comprehensive income	-	(1,070)	-	(1,070)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(1,070)	(11)	(1,081)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	-	(18,985)	(3,293)	(22,278)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2016	-	(18,985)	(3,293)	(22,278)
Total comprehensive income for the year				
Profit for the financial year	-	-	113	113
Other comprehensive income	-	(508)	-	(508)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(508)	113	(395)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	-	(19,493)	(3,180)	(22,673)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

A summary of the principal accounting policies adopted by the directors, which have been applied consistently in the current and prior periods, is shown below.

The financial statements are prepared on the going concern basis in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102").

As the consolidated financial statements of Essex Schools (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemption under FRS 102 available in respect of the following disclosures:

- The disclosure required by FRS 102.11 Basic Financial Instruments under FRS 102.12 Other Financial Instruments Issues in respect of financial instruments not falling within the fair value accounting rule of Paragraph 36(4) of Schedule 1.
- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash flow statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the company had not retrospectively changed its accounting under old UK GAAP for accounting estimates.

1.1. Measurement convention

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

1.2. Going concern

The directors, noting the company's net liabilities position, have reviewed the cash flow forecast and project model and taking into account reasonable possible risks in operations to the company and the fact the obligations of the company's sole customer are underwritten by the Secretary of State for Education they believe that the company will be able to settle its liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

1.3. Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

1.3. Basic financial instruments (continued)

Finance debtors

The finance debtor has been recognised based upon the Finance debtor and service income policy below. This is classified as a basic financial instrument as the debtor relates to the construction phase and only risk held is credit risk. Any performance conditions are linked to the operating phase revenue and therefore not relevant.

Restricted cash

The company is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within "cash at bank and in hand" balance, amounts to £4,097,000 (2016: £3,778,000) at the year end.

1.4. Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

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

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The Company has entered into an interest rate swap and designated this as hedges for highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.5. Turnover

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS102 section 34C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

1.5. Turnover (continued)

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed

All turnover and profit on ordinary activities before taxation originates in the United Kingdom. Turnover is recognised in accordance with the finance debtor and services income accounting policy below and excludes VAT.

1.6. Expenses

Operating costs

Operating costs are added to amounts recoverable on contracts during the construction period. Following commissioning, regular operating and maintenance costs and central costs will be expensed to the profit and loss account as incurred.

Interest receivable and interest payable

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

The finance cost of the debt is allocated to periods over the term of the debt at the contracted rates on the principal amounts outstanding. Any payments under the interest rate hedging contracts are charged to the period to which it relates.

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

1.7. Taxation

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

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the reporting date, and any adjustments to tax payable in respect of previous years.

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date. Deferred tax balances are not discounted.

1.8 Impairment

Financial assets (including trade, finance and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

ESSEX SCHOOLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2017****2. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Group's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. The service margin estimates are revised in March and September every year.

3. TURNOVER

An analysis of turnover is given below:

	2017	2016
	£000	£000
Revenue from operations	2,865	2,850

4. OPERATING PROFIT

Operating profit is stated after charging:

	2017	2016
	£000	£000
Auditor's fee	10	12

This includes £1,000 (2016: £1,000) paid on behalf of the parent company for which no recharge was made.

The company had no employees during the year (2016: Nil) other than the directors. The directors did not receive remuneration during the current or prior period. None of the directors received any defined benefit or defined contribution pension scheme contributions from the company (2016: £Nil).

Amounts payable to shareholders for director services was £12,000 (2016: £12,000).

5. INTEREST RECEIVABLE

	2017	2016
	£000	£000
Interest receivable on finance debtor	5,629	5,735
Other interest receivable	28	24
	5,657	5,759

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£000	£000
Interest rate swap payments	2,700	2,732
Senior debt interest	1,832	1,947
Subdebt interest	1,085	1,106
Amortisation of loan arrangement fees	65	65
Commitment fees	23	27
	<u>5,705</u>	<u>5,877</u>

7. TAXATION ON ORDINARY ACTIVITIES

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017	2016
	£000	£000
Current taxation		
UK corporation tax on profit for the year	-	-
Adjustment in respect of prior periods	-	-
Total current tax	-	-
Deferred taxation		
Revaluation of fair value of derivatives	175	311
Origination and reversal of timing differences	71	131
Total tax	<u>246</u>	<u>442</u>

	2017 £'000			2016 £'000		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	-	71	71	-	131	131
Recognised directly in equity	-	175	175	-	311	311
Total tax	<u>-</u>	<u>246</u>	<u>246</u>	<u>-</u>	<u>442</u>	<u>442</u>

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

7. TAXATION ON ORDINARY ACTIVITIES (continued)

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Loss for the financial year	113	(11)
Total tax expense	71	131
Profit excluding taxation	184	120
Taxation using the UK corporation tax rate of 20% (2016: 20%)	37	24
Utilisation of tax losses	(37)	(24)
Total current tax	-	-

A reduction in the rate of tax from 23% to 21% (effective 1 April 2014) and 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

8. DEBTORS

Amounts falling due after one year

	2017	2016
	£000	£000
<i>Amounts falling due within one year:</i>		
Finance debtor	275	1,002
Trade debtors	2	-
Prepayments and accrued income	25	28
	301	1,030

Amounts falling due after more than one year:

Finance debtor	67,780	69,282
Deferred taxation	4,643	4,889
	72,423	74,171
Total debtors	72,724	75,200

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

9. CREDITORS: Amounts falling due within one year

	2017	2016
	£000	£000
Term loans	2,195	2,133
Subordinated loans	306	116
Trade creditors	4	228
Accruals and deferred income	1,008	1,011
VAT	407	412
	<u>3,920</u>	<u>3,900</u>

10. CREDITORS: Amounts falling due after more than one year

	2017	2016
	£000	£000
Term loans	65,692	67,888
Subordinated loans	8,872	9,226
Other financial instruments	23,485	23,152
	<u>98,049</u>	<u>100,266</u>
Less: unamortised issue costs	(1,251)	(1,315)
	<u>96,798</u>	<u>98,951</u>

11. CREDITORS: Analysis of debt

	2017	2016
	£000	£000
In less than one year	2,501	2,249
Between one and two years	2,438	2,407
Between two and five years	7,892	7,565
In five years or more	64,235	67,142
	<u>77,066</u>	<u>79,363</u>
Less: unamortised issue costs	(1,251)	(1,315)
	<u>75,815</u>	<u>78,048</u>

12. LOANS

The bank loan is provided by Lloyds TSB, and is to be used to finance the operation of the project over its remaining life. The loan is repayable in instalments based on an agreed percentage amount of the total facility per annum over 25 years commencing 30 September 2012.

The loan is secured by a fixed and floating charge over all the assets of the company and a charge over the shares of the company.

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

12. LOANS (continued)

Interest on the facility is charged at rates linked to LIBOR. The company has entered into fixed interest rate swaps to mitigate its interest rate exposure which have a negative fair value at 31 March 2017 of £23,485,000 (2016: £23,152,000). The fixed interest rate on the facility, including all margins, is 6.725%. The Company does not hold or issue derivative financial instruments for speculative purposes.

The Senior Lender requires a minimum forward looking and historic Annual Debt Service Cover Ratio of 1:05 and a minimum Loan Life Cover Ratio of 1:10 and a Senior Debt Service Reserve and Loan Life Cover Reserve to be maintained during the operational phase. There are no covenant requirements during the construction phase. The next testing period is 30 September 2017.

13. RELATED PARTY TRANSACTIONS

The Company has the following related parties:

Name of related party	Relationship
Skanska TAM Ltd	45% Shareholder of Essex Schools (Holdings) Ltd
Equitix Education Ltd	18% Shareholder of Essex Schools (Holdings) Ltd
Building Schools for the Future Investments LLP	9% Shareholder of Essex Schools (Holdings) Ltd
Essex County Council	9% Shareholder of Essex Schools (Holdings) Ltd
RM Education Limited	Group member of RM plc. 9% Shareholder of Essex Schools (Holdings) Ltd
Essex LEP Limited	10% Shareholder of Essex Schools (Holdings) Ltd

Name of related party	Type of transaction	2017	2017	2016	2016
		Income/ (charges) £'000	Balance due (to)/from £'000	Income/ (charges) £'000	Balance due (to)/from £'000
Skanska TAM Ltd	Director fees	(6)	-	(6)	-
	Loan notes	-	(4,130)	-	(4,204)
	Loan note interest	(488)	-	(497)	-
Equitix Education Ltd	Director fees	(4)	-	(3)	-
	Loan notes	-	(1,652)	-	(1,681)
	Loan note interest	(195)	-	(199)	-
Building Schools for the Future Investments LLP	Director fees	(3)	-	(3)	-
	Loan notes	-	(826)	-	(841)
	Loan note interest	(98)	-	(100)	-
Essex County Council	Loan notes	-	(826)	-	(841)
	Loan note interest	(98)	-	(100)	-
	Unitary charge	10,682	-	10,696	-
RM Education Limited	Loan notes	-	(826)	-	(841)
	Loan note interest	(98)	-	(100)	-
Essex LEP Limited	Management fee	(265)	-	(270)	-
	Loan notes	-	(918)	-	(934)
	Loan note interest	(109)	-	(166)	-

ESSEX SCHOOLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2017****14. DEFERRED TAX ASSET**

Deferred tax asset is attributable to the following:

	2017 £'000	2016 £'000
Assets		
Deferred tax on taxable losses	651	722
Deferred tax on revaluation of fair value of derivatives	3,992	4,167
	<u>4,643</u>	<u>4,889</u>

Deferred tax asset is recognised on taxable losses and on the revaluation of the swap derivative on the interest rate swap held by the Company, which is accounted for under cash flow hedges.

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

15. SHARE CAPITAL

Allotted, called up and fully paid:

	2017		2016	
	Number	£	Number	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Cash flow hedging reserve

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

16. ULTIMATE CONTROLLING PARTY

The Company's immediate parent company is Essex Schools (Holdings) Limited, a company incorporated in England and Wales, registered number 07191953. The company has no ultimate controlling party. The smallest and largest group financial statements in which the Company's results are included is Essex Schools (Holdings) Ltd. The financial statements of Essex Schools (Holdings) Limited can be obtained from the Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

17. FINANCIAL INSTRUMENTS***Carrying amount of financial instruments***

The carrying amounts of the financial assets and liabilities include:

ESSEX SCHOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Assets measured at amortised cost		
- Finance debtor	68,054	70,284
- Trade and other receivables	27	28
	<u>68,081</u>	<u>70,312</u>
Assets measured at cost less impairment		
- Cash and cash equivalents	5,321	5,372
Liabilities measured at amortised cost		
- Trade and other payables	1,012	1,239
- Bank loan	67,887	70,021
- Subordinated debt	9,178	9,342
	<u>78,076</u>	<u>80,602</u>

17. FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value through profit and loss		
- Interest swap	(23,485)	(23,152)

Financial instruments measured at fair value

Derivative financial instruments

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

The company has entered in to an interest rate swap agreement under the bank loan which expires in December 2035. A fixed rate of 4.525% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to LIBOR to the fixed rate above.

Fair values

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

	2017 £'000	2016 £'000
Amounts falling due after more than one year		
Financial liabilities designated as fair value through profit or loss		
- Interest rate swap contract	(23,485)	(23,152)