

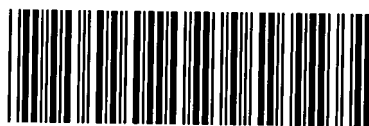
**PPP Services (North Ayrshire) Limited**

**Annual Report and Financial Statements**

**For the Year Ended 31 December 2014**

**Registered Number SC294870**

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# **PPP Services (North Ayrshire) Limited**

## **Financial Statements**

**Year Ended 31 December 2014**

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# **PPP Services (North Ayrshire) Limited**

## **Company Information**

### **The Board of Directors**

BIIF Corporate Services Limited  
S Cook  
M J Rawlinson  
A Robinson  
D F Gilmour  
T J Hesketh

### **Company secretary**

Infrastructure Managers Limited

### **Registered office**

2nd Floor  
11 Thistle Street  
Edinburgh  
EH2 1DF

### **Auditors**

Baker Tilly UK Audit LLP  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

### **Bankers**

Nord/LB  
One Wood Street  
London  
EC2V 7WT

### **Solicitors**

Maclay Murray & Spens LLP  
Quartermile One  
15 Lauriston Place  
Edinburgh  
EH3 9EP

# **PPP Services (North Ayrshire) Limited**

## **Directors' Report**

### **Year Ended 31 December 2014**

The directors present their report and the financial statements of the Company for the year ended 31 December 2014.

### **Principal Activities and Business Review**

The principal activity of the company is the provision of design, construction, finance and facilities management services for four schools to North Ayrshire Council under the Government's Public Private Partnership (PPP) programme. The duration of the contract is 32 years.

### **Business review and future developments**

For the operational phase there is an operational manager in place who is responsible for the day to day management of the facilities and constant monitoring of the lifecycle works as appropriate. This forms the primary key performance indicators along with the monitoring of actual costs against budget. As the company entered full operational phase it faced operational risks and actively monitors financial performance against loan covenants. The company has been performing well and has been compliant with the covenants laid out in the loan agreement. The company is also forecasting compliance with the covenants laid out in the loan agreement for the next 12 months.

The directors expect the future performance of the company to be profitable and in line with the forecasting model.

### **Results and Dividends**

The profit for the year, after taxation, amounted to £199,164 (2013: profit £205,481). Particulars of dividends paid are detailed in note 9 to the financial statements.

The result for the year after dividends has been transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

### **Key performance indicators**

The performance of the Company 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 has been performing well and has been compliant with the covenants laid out in the group loan agreement.

### **Financial Instruments**

Details of the Company's financial risk management objectives and policies are included in note 14 to the accounts.

### **Directors**

The directors who served the Company during the year and up to the date of this report are listed on page 1.

# PPP Services (North Ayrshire) Limited

## Directors' Report *(continued)*

Year Ended 31 December 2014

### Small Company Provisions

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

### Auditor

A resolution to re-appoint Baker Tilly UK Audit LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

Signed by order of the directors

A handwritten signature in black ink, appearing to read 'S. P. L.', with a long horizontal line extending from the end of the signature.

Infrastructure Managers Limited  
Company Secretary

Approved by the directors on 25-3-15

# PPP Services (North Ayrshire) Limited

## Statement of Directors' Responsibilities

Year Ended 31 December 2014

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing those financial statements, the directors are required to:

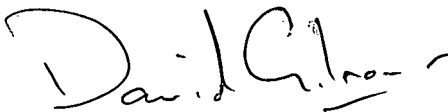
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 25-3-15..... and signed on its behalf by:

  
.....  
D F Gilmour

## **PPP Services (North Ayrshire) Limited**

### **Independent Auditors' Report to the Members of PPP Services (North Ayrshire) Limited**

We have audited the financial statements on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 more fully explained 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

#### **Opinion on Financial Statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit 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.

#### **Opinion on Other Matter Prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **PPP Services (North Ayrshire) Limited**

### **Independent Auditors' Report to the Members of PPP Services (North Ayrshire) Limited** *(continued)*

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

*Baker Tilly UK Audit LLP*

LINDA GRAY (Senior Statutory Auditor)  
For and on behalf of  
BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

...27/3/15...



# PPP Services (North Ayrshire) Limited

## Profit and Loss Account

Year Ended 31 December 2014

	Note	2014 £	2013 £
<b>Turnover</b>	<b>2</b>	<b>4,745,527</b>	4,513,637
Cost of sales		<u>(3,154,749)</u>	<u>(3,018,991)</u>
<b>Gross profit</b>		<b>1,590,778</b>	1,494,646
Administrative expenses		<u>(572,706)</u>	<u>(554,759)</u>
Other operating income	<b>3</b>	<b>15,998</b>	11,424
<b>Operating profit</b>	<b>4</b>	<b>1,034,070</b>	951,311
Interest receivable	<b>6</b>	<b>4,479,374</b>	4,564,516
Interest payable and similar charges	<b>7</b>	<b>(5,260,334)</b>	(5,249,258)
<b>Profit on ordinary activities before taxation</b>		<u><b>253,110</b></u>	<u>266,569</u>
Tax on profit on ordinary activities	<b>8</b>	<b>(53,946)</b>	(61,088)
<b>Profit for the financial year</b>		<u><b>199,164</b></u>	<u>205,481</u>

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

The Company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 9 to 15 form part of these financial statements.

# PPP Services (North Ayrshire) Limited

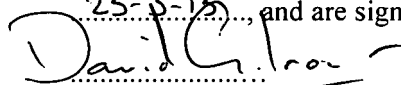
## Balance Sheet

As at 31 December 2014

	Note	2014 £	2013 £
<b>Current assets</b>			
Debtors due within one year	10	2,070,960	2,205,664
Debtors due after one year	10	79,123,331	80,942,488
Cash at bank		7,599,742	5,995,804
		<u>88,794,033</u>	<u>89,143,956</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(4,182,408)</u>	<u>(3,309,706)</u>
<b>Net current assets</b>		<u>84,611,625</u>	<u>85,834,250</u>
<b>Total assets less current liabilities</b>		<u>84,611,625</u>	<u>85,834,250</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	(84,129,867)	(85,421,656)
<b>Net assets</b>		<u><u>481,758</u></u>	<u><u>412,594</u></u>
<b>Capital and reserves</b>			
Share capital	15	370,000	370,000
Profit and loss account	16	<u>111,758</u>	<u>42,594</u>
<b>Equity shareholders' funds</b>	17	<u><u>481,758</u></u>	<u><u>412,594</u></u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These accounts on pages 7 to 15 were approved by the directors and authorised for issue on 25-3-15, and are signed on their behalf by:

  
D F Gilmour

Company Registration Number: SC294870

The notes on pages 9 to 15 form part of these financial statements.

# **PPP Services (North Ayrshire) Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 December 2014**

#### **1. Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

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

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. The financial statements have been prepared on a going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow on-going obligations to be met as they fall due.

##### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is small.

##### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

##### **Deferred taxation**

Deferred tax is fully provided on timing differences recognised by the balance sheet date when the Company has an obligation to pay more or less tax in the future as a result of these timing differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The Company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by FRS 19 (Deferred Tax).

##### **Financial Instruments**

The Company uses derivative financial instruments to manage exposures to fluctuations in interest rates. Amounts payable and receivable in respect of these derivatives are recognised as adjustments to interest expense over the term of the contracts.

# PPP Services (North Ayrshire) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2014

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

##### Turnover and Finance Debtor

During the construction phase:

Turnover represents the value of work done on long-term contracts and services rendered, net of VAT. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Costs incurred in the construction of the schools have been accounted for under Financial Reporting Standard (FRS) 5 Application Note F. Applying the guidance within the Application Note indicates that the project's principal agreement transfers substantially all the risks and rewards of ownership to the customer. As such the costs incurred on the project, including interest charges during the construction phase, have been treated as a finance debtor within these accounts.

During the operational phase:

Management service income is allocated between turnover, interest receivable on the finance debtor 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. Turnover represents the income allocated to the services provided as part of the overall project.

#### 2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below:

	2014	2013
	£	£
United Kingdom	<u>4,745,527</u>	<u>4,513,637</u>

#### 3. Other operating income

	2014	2013
	£	£
Other operating income	<u>15,998</u>	<u>11,424</u>

# PPP Services (North Ayrshire) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2014

#### 4. Operating profit

Operating profit is stated after charging:

	2014 £	2013 £
Auditors' remuneration		
- as auditor	6,554	6,363
- for other services	3,662	3,555

Fees incurred for other services in the year were paid to entities related to Baker Tilly UK Audit LLP.

#### 5. Particulars of employees and directors

The company had no employees in either period. During the year fees of £48,000 (2013: £48,000) were paid to third parties for the provision of directors' services.

#### 6. Interest receivable

	2014 £	2013 £
Bank interest receivable	22,205	16,749
Interest receivable on finance debtor	4,457,169	4,547,767
	<u>4,479,374</u>	<u>4,564,516</u>

#### 7. Interest payable and similar charges

	2014 £	2013 £
Interest payable on bank borrowing	4,147,854	4,136,778
Interest on subordinated loans	1,075,108	1,075,108
Amortisation of finance costs	37,372	37,372
	<u>5,260,334</u>	<u>5,249,258</u>

#### 8. Taxation on ordinary activities

##### (a) Analysis of charge in the year

	2014 £	2013 £
Current tax:		
UK Corporation tax based on the results for the year at 21.49% (2013 - 23.25%)	53,946	61,088
Total current tax	<u>53,946</u>	<u>61,088</u>

# PPP Services (North Ayrshire) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2014

#### 8. Taxation on ordinary activities *(continued)*

##### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%).

	2014 £	2013 £
Profit on ordinary activities before taxation	<u>253,110</u>	<u>266,569</u>
Profit on ordinary activities by rate of tax	54,401	61,968
Tax chargeable at lower rates	<u>(455)</u>	<u>(880)</u>
Total current tax (note 8(a))	<u>53,946</u>	<u>61,088</u>

#### 9. Dividends

##### Equity dividends

	2014 £	2013 £
Paid during the year: Dividends on equity shares	<u>130,000</u>	<u>237,000</u>

#### 10. Debtors

	2014 £	2013 £
Trade debtors	28,568	27,437
Corporation tax repayable	—	45,290
Finance Debtor	80,947,984	82,671,303
Other debtors	19,993	88,489
Prepayments and accrued income	197,746	315,633
	<u>81,194,291</u>	<u>83,148,152</u>

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

	2014 £	2013 £
Finance debtor	<u>79,123,331</u>	<u>80,942,488</u>

The finance debtor includes capitalised interest of £3,701,557 (2013: £3,701,557).

# PPP Services (North Ayrshire) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2014

#### 11. Creditors: Amounts falling due within one year

	2014	2013
	£	£
Bank loan	1,254,195	1,136,748
Grants	11,292	11,424
Trade creditors	697,782	402,707
Corporation tax	53,532	—
Other taxation	446,941	398,956
Accruals and deferred income	1,718,666	1,359,871
	<u>4,182,408</u>	<u>3,309,706</u>

#### 12. Creditors: Amounts falling due after more than one year

	2014	2013
	£	£
Bank loans	75,921,358	77,175,896
Amounts owed to group undertakings	7,679,342	7,679,342
	<u>83,600,700</u>	<u>84,855,238</u>
Accruals and deferred income	529,167	566,418
	<u>84,129,867</u>	<u>85,421,656</u>

The bank loan bears interest based on LIBOR. As part of the interest rate management strategy the company entered into an interest rate swap in respect of part of the debt maturing in September 2036. Under these swaps and the senior debt financing in place, the company pays interest at a fixed rate of 5.385%. The bank loan is secured by a floating charge over the assets of the company and is repayable in quarterly instalments from January 2008 and in full by 15 October 2036.

The subordinated debt carries an interest rate of 14% and the principal is repayable in quarterly instalments commencing 15 July 2036 and in full by 15 April 2037. The subordinated debt is unsecured.

#### 13. Creditors - capital instruments

Creditors include loans which are due for repayment as follows:

	2014	2013
	£	£
Amounts repayable:		
In one year or less or on demand	1,254,195	1,136,748
In more than one year but not more than two years	1,373,356	1,254,195
In more than two years but not more than five years	4,830,746	4,454,403
In more than five years	77,396,598	79,146,640
	<u>84,854,895</u>	<u>85,991,986</u>

# PPP Services (North Ayrshire) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2014

#### 14. Financial risk management objectives and policies

Due to the nature of the Company's business, the only financial risks the directors consider relevant to this Company is credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

##### *Interest rate risk*

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Company uses interest rate swaps to reduce its exposure to interest rate movements. No interest rate swaps were open at the year end. Financial instruments are not used for speculative purposes.

##### *Liquidity risk*

The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

##### *Fair values of financial assets and liabilities*

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements at other than fair values:

	2014		2013	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
<i>Financial liabilities</i>				
Long term borrowing	(77,001,972)	(58,191,120)	(78,289,263)	(65,219,087)
Interest rate swap	–	(18,810,852)	–	(13,070,177)
Retail price index swap	–	(5,356,013)	–	(7,661,855)

The fair values of the fixed rate borrowing, the interest rate swap and retail price index swap have been calculated by discounting the fixed cash flows at the prevailing interest rates at the year end.

#### 15. Share capital

##### **Allotted, called up and fully paid:**

	2014		2013	
	No	£	No	£
Ordinary shares of £1 each	370,000	370,000	370,000	370,000



# PPP Services (North Ayrshire) Limited

## Notes to the Financial Statements

### Year Ended 31 December 2014

#### 16. Profit and loss account

	2014	2013
	£	£
Balance brought forward	42,594	74,113
Profit for the financial year	199,164	205,481
Equity dividends	(130,000)	(237,000)
Balance carried forward	<u>111,758</u>	<u>42,594</u>

#### 17. Reconciliation of movements in shareholders' funds

	2014	2013
	£	£
Profit for the financial year	199,164	205,481
Equity dividends	(130,000)	(237,000)
Net addition/(reduction) to shareholders' funds	69,164	(31,519)
Opening shareholders' funds	412,594	444,113
Closing shareholders' funds	<u>481,758</u>	<u>412,594</u>

#### 18. Related party disclosures

The share capital of the company is held wholly by PPP Services (North Ayrshire) Holdings Limited.

Hochtief PPP Schools Capital Limited holds a 50% shareholding in PPP Services (North Ayrshire) Holdings Limited. Hochtief PPP Solutions (UK) Limited, a company under the same control as Hochtief PPP Schools Capital Limited, was contracted to build the schools. Hochtief PPP Solutions (UK) Limited was paid £51,985 (2013: £50,527) for the provision of an operational manager.

Nord/LB Project Holding Limited holds a 20% shareholding in PPP Services (North Ayrshire) Holdings Limited. During the year £21,925 (2013: £25,824) was paid in respect of commitment fees and £4,147,854 (2013: £4,136,778) of term loan interest on the facility provided by Norddeutsche Landesbank Girozentrale, a company under common control.

PPP Services (North Ayrshire) Limited has issued loan notes to PPP Services (North Ayrshire) Holdings Limited. The total amount of interest paid in the year end on this loan amounted to £1,075,108 (2013: £1,075,108). In addition, dividends of £130,000 (2013: £237,000) were paid in the year.

#### 19. Ultimate parent company

The company is a wholly owned subsidiary of PPP Services (North Ayrshire) Holdings Limited, a company incorporated in Scotland, registered number SC294861. The financial statements of PPP Services (North Ayrshire) Holdings Limited can be obtained from Companies House.

Ownership of PPP Services (North Ayrshire) Holdings Limited is split between Hochtief PPP Schools Capital Limited (50%), PFI Infrastructure Finance Limited (30%) and Nord/LB Project Holdings Company Limited (20%). Accordingly there is no overall parent company and no ultimate controlling party.