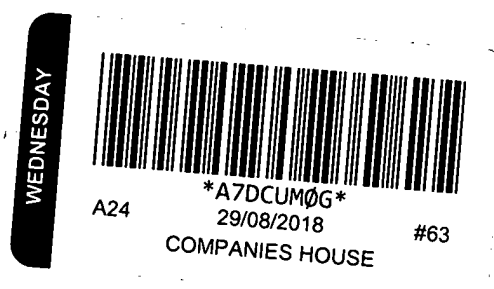


Company Registration No. 05259225 (England and Wales)

MODERN SCHOOLS (BARNSELEY) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



MODERN SCHOOLS (BARNSELEY) LIMITED

COMPANY INFORMATION

Directors	Mr A Watson Mr B Dean
Secretary	HCP Social Infrastructure (UK) Ltd
Company number	05259225
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE

MODERN SCHOOLS (BARNSELEY) LIMITED

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MODERN SCHOOLS (BARNSELEY) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017. The Company has taken advantage of Section 414A(2) Companies Act (Strategic report and Directors' Report) Regulations 2013 not to prepare a strategic report.

Principal activities

The company's principal activity is that of a Private Finance Initiative Concessionaire for the Modern Schools (Barnsley) Schools Project, under the terms of a Project Agreement dated 4 May 2005.

The Project Agreement requires the company to finance, design, develop, construct and then maintain and part operate thirteen primary schools in the Barnsley area. The concession is expected to continue until 31 May 2032.

Work on the construction of the schools commenced in May 2005. Construction was completed in June 2007.

There have not been any changes in the company's activities in the year under review, and the directors are not aware, at the date of this report, of any likely changes in the next year. The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A Watson
Mr B Dean

Employees

The company had no employees (including directors) during the current or prior year.

Results and dividends

The results for the year are set out on the profit and loss page. The profit for the year after taxation amounted to £782,000 (2016: £641,000). The directors paid a £894,000 dividend in respect of the year ended 31 December 2017 (2016: £1,836,000).

Financial Reporting, risk and internal controls

The company has outsourced the financial reporting function to HCP Social Infrastructure ('HCP'). Authorities remain vested in the Board members of the company, HCP reports regularly to the Board of the company. The board receives quarterly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the company operates. The Board also receives quarterly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Auditor

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

MODERN SCHOOLS (BARNSELEY) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

On behalf of the board



Mr B Dean

Director

3 July 2018

MODERN SCHOOLS (BARNSELEY) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and ;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 MODERN SCHOOLS (BARNSELEY) LIMITED

Opinion

We have audited the financial statements of Modern Schools (Barnsley) Limited (the 'company') for the year ended 31 December 2017 which comprise of the Profit And Loss Account, the Statement Of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Director' Report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MODERN SCHOOLS (BARNSELEY) LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.
- 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 in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Huw Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square
Bristol
BS1 4BE

4 July 2018

MODERN SCHOOLS (BARNSELEY) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	3,903	5,108
Operating costs		(3,241)	(4,630)
Operating profit		<u>662</u>	<u>478</u>
Interest receivable and similar income	7	2,178	2,192
Interest payable and similar expenses	8	(1,872)	(1,994)
Profit before taxation		<u>968</u>	<u>676</u>
Taxation		(186)	(35)
Profit for the financial year		<u><u>782</u></u>	<u><u>641</u></u>

The accompanying notes form part of the financial statements.

MODERN SCHOOLS (BARNSELEY) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £'000	2016 £'000
Profit for the year	782	641
Other comprehensive income		
Cash flow hedges gain/(loss) arising in the year	1,103	(756)
Tax relating to other comprehensive income	(188)	68
Other comprehensive income for the year	915	(688)
Total comprehensive income for the year	1,697	(47)

The accompanying notes form part of the financial statements.

MODERN SCHOOLS (BARNSELEY) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors falling due after one year	10	22,678	25,440
Debtors falling due within one year	10	1,654	1,569
Cash at bank and in hand		4,917	4,666
		<u>29,249</u>	<u>31,675</u>
Creditors: amounts falling due within one year	12	<u>(2,991)</u>	<u>(3,545)</u>
Net current assets		26,258	28,130
Creditors: amounts falling due after more than one year	13	(30,936)	(33,611)
Provisions for liabilities	14	(39)	(39)
Net liabilities		<u>(4,717)</u>	<u>(5,520)</u>
Capital and reserves			
Called up share capital	16	10	10
Hedging reserve		(4,769)	(5,684)
Profit and loss reserves		42	154
Total equity		<u>(4,717)</u>	<u>(5,520)</u>

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

The financial statements were approved by the board of directors and authorised for issue on 3 July 2018 and are signed on its behalf by:



Mr B Dean
Director

Company Registration No. 05259225

The accompanying notes form part of the financial statements.

MODERN SCHOOLS (BARNSELEY) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Hedging reserve	Profit and loss reserves	Total
Notes	£'000	£'000	£'000	£'000
Balance at 1 January 2016	10	(4,996)	1,349	(3,637)
Period ended 31 December 2016:				
Profit for the year	-	-	641	641
Other comprehensive income:				
Cash flow hedge gains arising in the year	-	(756)	-	(756)
Tax relating to other comprehensive income	-	68	-	68
Total comprehensive income for the year	-	(688)	641	(47)
Dividends	-	-	(1,836)	(1,836)
Balance at 31 December 2016	10	(5,684)	154	(5,520)
Period ended 31 December 2017:				
Profit for the year	-	-	782	782
Other comprehensive income:				
Cash flow hedge losses arising in the year	-	1,103	-	1,103
Tax relating to other comprehensive income	-	(188)	-	(188)
Total comprehensive income for the year	-	915	782	1,697
Dividends	-	-	(894)	(894)
Balance at 31 December 2017	10	(4,769)	42	(4,717)

The accompanying notes form part of the financial statements.

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Modern Schools (Barnsley) Limited is a private limited company by shares domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with Section 1A of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as applicable to smaller entities and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The Directors have reviewed the cash flow forecast for the company 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 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 Turnover

Turnover is recognised in accordance with the service concession contract accounting policy. Turnover represents value of work done entirely in the United Kingdom and excludes value added tax. Turnover in relation to pass through revenue is recognised when the services are performed.

1.4 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Trade and other debtors

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Hedge accounting

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions result in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to 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.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Interest Receivable and Payable

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

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

1.10 Service concession contract accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. As the company entered into the contract prior to the date of transition to FRS102 section 1A, the company has taken advantage of the exception in section 35.10 (i) of FRS 102, which permits it to continue to account for the service concession under the accounting policy applied under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, 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.

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

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an 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 company's accounting policies are described below:

Critical judgements

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Service concession accounting

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

3 Turnover and other revenue

	2017 £'000	2016 £'000
Service revenue	2,879	3,196
Pass through and variation revenue	1,024	1,912
	<u>3,903</u>	<u>5,108</u>

4 Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	12	-
	<u>12</u>	<u>-</u>

Amounts paid to former auditors are £ Nil in the current year and £16,000 in respect of 2016

5 Employees

The company had no employees during the year (2016: nil).

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Directors' remuneration

	2017 £'000	2016 £'000
Remuneration for qualifying services	37	39

7 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest income		
Interest on bank deposits	1	-
Other interest income	2,177	2,192
Total income	2,178	2,192

8 Interest payable and similar expenses

	2017 £'000	2016 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on overdrafts, loans and swaps	1,485	1,590
Other interest on financial liabilities	360	375
	1,845	1,965
Other finance costs:		
Other interest	27	29
	1,872	1,994

9 Financial instruments

	2017 £'000	2016 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost, including cash	28,090	30,444
Carrying amount of financial liabilities		
Other financial liabilities measured at fair value	5,746	6,848
Measured at amortised cost	27,796	29,964
	33,542	36,812

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	-	116
Finance debtor	1,472	1,386
Prepayments and accrued income	182	67
	<u>1,654</u>	<u>1,569</u>
Amounts falling due after one year:		
Finance debtor	21,701	24,276
Deferred tax asset	977	1,164
	<u>22,678</u>	<u>25,440</u>
Total debtors	<u>24,332</u>	<u>27,009</u>

The deferred tax asset represents the tax asset recognised when recognising the swap liability.

11 Loans and overdrafts

	2017 £'000	2016 £'000
Bank loans	24,226	26,064
Subordinated loans	2,536	2,711
	<u>26,762</u>	<u>28,775</u>
Payable within one year	1,572	2,012
Payable after one year	<u>25,190</u>	<u>26,763</u>

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Loans and overdrafts

(Continued)

Senior Loan

Interest is payable over the course of the agreement at the following rates:

During construction phase	LIBOR + 1%
During operations phase	LIBOR + 0.9%

The company has entered into swap agreements fixing the rate to LIBOR fixed at 4.92% + 0.9% margin until November 2030. This is accounted for as a cash flow hedge.

The Company's secured creditors have the benefit of first ranking charges granted by the Company over the whole of its investments, undertaking, property, assets, insurances and rights under certain contracts, both present and future, together with a first ranking charge over all of the ordinary shares of the Company and the Company's subordinated loan.

Subordinated Loan

On 4 May 2005 the company created £4,372,639 unsecured Loan Notes 2034, constituted under Deed Polls entered into on the same date. Under the terms of the Equity Subscription Agreement dated 4 May 2005 Innisfree PFI Fund III LP and Innisfree PFI Secondary Fund LP subscribed in equal proportions for the Loan Notes of Modern Schools (Barnsley) Limited of £4,372,639 on the due date of 31 May 2007. The proceeds of the Loan Note issues are being used by the company to finance its obligations under its Project Agreement with Barnsley Metropolitan Borough Council.

Interest is payable on the Loan Notes at 13% per annum.

12 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and borrowings	1,572	2,012
Trade creditors	157	22
Corporation tax	111	60
Other taxation and social security	273	283
Other creditors	878	1,168
	<u>2,991</u>	<u>3,545</u>

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Creditors: amounts falling due after more than one year

	Notes	2017 £'000	2016 £'000
Bank loans and borrowings	11	25,190	26,763
Derivative financial instruments	9	5,746	6,848
		<u>30,936</u>	<u>33,611</u>
Bank loans and borrowings (over 5 years)		17,186	18,679

The fair value of the derivatives was determined by using a valuation tool kit provided by a major UK bank. The value shown is the market valuation as at 31 December 2017.

The gain of £1,103,000 attributable to the fair value of the SWAP was credited to the hedge reserve.

14 Provisions for liabilities

	Notes	2017 £'000	2016 £'000
Deferred tax liabilities	15	39	39
		<u>39</u>	<u>39</u>

15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £'000	Liabilities 2016 £'000	Assets 2017 £'000	Assets 2016 £'000
Balances:				
Revaluations	39	39	977	1,164
	<u>39</u>	<u>39</u>	<u>977</u>	<u>1,164</u>

The deferred tax asset set out above is expected to reverse over the life of the SWAP instrument and Loan Issue costs associated with the Senior Debt instrument and relates to the utilisation of tax losses against future expected profits of the same period.

The deferred tax asset expected to be utilised in the forthcoming financial year is £nil.

MODERN SCHOOLS (BARNSELEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Called up share capital

	2017 £'000	2016 £'000
Ordinary share capital		
Issued and fully paid		
10,000 Ordinary share capital of £1 each	10	10
	<u>10</u>	<u>10</u>

17 Controlling Party

The immediate holding company is Modern Schools (Barnsley) Holdings Limited, a company registered in England and Wales. Copies of the accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ. The Directors consider Innisfree Schools (Secondary) Ltd to be the ultimate controlling party.

These accounts do not get consolidated into any further group of companies.

18 Related party transactions

During the year the company's parent Modern Schools (Barnsley) Holdings Limited ('Holdings') was owned 100% by Innisfree Schools (Secondary) Limited. Innisfree Schools (Secondary) Limited was owned 34:66 by Innisfree PFI Secondary Fund 2 LP and Innisfree PFI Secondary Fund LP. The funds were owned through their nominee Innisfree Nominees Limited. Innisfree Nominees Limited is managed by Innisfree Group Limited.

Under the terms of Shareholder and Management Agreements, Innisfree Group Limited provide the company with its directors. Directors fees paid to Innisfree Limited in the period were £37,000 (2016: £39,000). As at 31 December 2017 trade creditors and accruals included £19,000 (2016: £nil) due to Innisfree Limited.

During the year the company entered into transactions with its management service provider HCP Social Infrastructure (UK) Limited. HCP Holdings Limited, the parent company of HCP Social Infrastructure (UK) limited is invested with Funds under the Management of Innisfree Limited, who also manage the funds invested in Modern Schools (Barnsley) Holdings Limited. The value of services provided by HCP Social Infrastructure (UK) was £21,000 (2016: £5,000) of which £1,000 (2016: nil) was outstanding as at 31 December 2017.

The value of services provided by HCP Management Services was £212,000 (2016: £198,000) of which - £18,000 (2016: £1,000) was outstanding as at 31 December 2017.

As at 31 December 2017 the company owed £2,536,000 (2016: £2,711,000) under a subordinated loan agreement to the parent company's shareholders. During the year ended 31 December 2017 the company incurred £345,000 (2016: £368,000) in respect of subordinated interest. As at 31 December 2017 £28,000 (2016: £30,000) was due to the shareholders, Innisfree PFI Fund 2 LP and Innisfree Secondary Fund, in proportion to their shareholdings (disclosed within note 13), in respect of subordinated interest and is included in other creditors.