

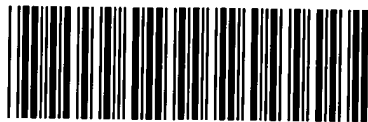
NewSchools (Penweddig) Limited
Annual Report and Financial Statements
31 December 2018

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NewSchools (Penweddig) Limited
Annual Report and Financial Statements
Year Ended 31 December 2018

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NewSchools (Penweddig) Limited

Officers and Professional Advisers

The Board of Directors

John Cavill
Bryan Acutt

Company Secretary

Infrastructure Managers Limited

Registered Office

Cannon Place
78 Cannon Street
London
EC4N 6AF

Independent Auditors

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

Bankers

National Westminster Bank Plc
PO Box 12263
1 Princes Street
London
EC2R 8PH

Solicitors

Dentons UKMEA LLP
One Fleet Place
London
EC4M 7WS

NewSchools (Penweddig) Limited

Directors' Report

Year Ended 31 December 2018

The directors present their report and the audited Annual Report and Financial Statements of NewSchools (Penweddig) Limited ("the Company") for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is to design, build, finance and operate a new secondary school in Aberystwyth in accordance with a 30 year contract with Cyngor Sir Ceredigion. The contract is in year 18 of its term expiring in 2030.

Performance Review

The profit for the financial year, after taxation, amounted to £653,052 (2017: £560,345).

The profit for the financial year will be 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 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.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

John Cavill
Bryan Acutt

Dividends

Particulars of dividends paid are detailed in note 11 to the financial statements.

Financial Instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company is credit, interest rate, cash flow and liquidity risk. The credit risk is 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. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Cash Flow and Liquidity risk

Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Qualifying Third Party Indemnity Provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

NewSchools (Penweddig) Limited

Directors' Report *(continued)*

Year Ended 31 December 2018

Small Company Provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Disclosure of Information to Auditors

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

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all 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 auditors are aware of that information.

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

This report was approved by the board of directors on 12/04/2019 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

NewSchools (Penweddig) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2018

The directors are responsible for preparing the Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

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

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

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

NewSchools (Penweddig) Limited

Independent Auditors' Report to the Members of NewSchools (Penweddig) Limited

Year Ended 31 December 2018

Report on the Audit of the Financial Statements

Opinion

In our opinion, NewSchools (Penweddig) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

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

Independence

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

Conclusions Relating to Going Concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, suppliers and the wider economy.

NewSchools (Penweddig) Limited

Independent Auditors' Report to the Members of NewSchools (Penweddig) Limited *(continued)*

Year Ended 31 December 2018

Reporting on Other Information

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

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

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

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

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

NewSchools (Penweddig) Limited

Independent Auditors' Report to the Members of NewSchools (Penweddig) Limited *(continued)*

Year Ended 31 December 2018

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

Use of This Report

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

Other Required Reporting

Companies Act 2006 Exception Reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to Exemptions

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



Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh
12/04/2019

NewSchools (Penweddig) Limited

Statement of Comprehensive Income

Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	1,393,466	1,295,293
Cost of sales		<u>(647,809)</u>	<u>(655,227)</u>
Gross profit		745,657	640,066
Administrative expenses		<u>(121,624)</u>	<u>(115,431)</u>
Other operating income	5	<u>10,521</u>	<u>8,737</u>
Operating profit	6	634,554	533,372
Other interest receivable and similar income	8	585,745	606,180
Interest payable and similar expenses	9	<u>(413,897)</u>	<u>(444,781)</u>
Profit before taxation		806,402	694,771
Tax on profit	10	<u>(153,350)</u>	<u>(134,426)</u>
Profit for the financial year		<u>653,052</u>	<u>560,345</u>
Fair value movements on cash flow hedging instruments, net of tax		<u>194,334</u>	<u>201,503</u>
Total comprehensive income for the year		<u>847,386</u>	<u>761,848</u>

All the activities of the Company are from continuing operations.

The notes on pages 11 to 19 form part of the Annual Report and Financial Statements.

NewSchools (Penweddig) Limited

Statement of Financial Position

As at 31 December 2018

	Note	2018 £	2017 £
Current assets			
Debtors: amounts falling due within one year	12	774,587	560,352
Debtors: amounts falling due after more than one year	12	7,180,790	7,646,424
Cash at bank and in hand		<u>2,266,474</u>	<u>2,062,255</u>
		10,221,851	10,269,031
Creditors: amounts falling due within one year	13	<u>(1,449,051)</u>	<u>(1,293,699)</u>
Net current assets		<u>8,772,800</u>	<u>8,975,332</u>
Total assets less current liabilities		<u>8,772,800</u>	<u>8,975,332</u>
Creditors: amounts falling due after more than one year	14	<u>(5,741,186)</u>	<u>(6,445,104)</u>
Net assets		<u><u>3,031,614</u></u>	<u><u>2,530,228</u></u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Hedging reserve	18	(695,510)	(889,844)
Retained earnings	18	<u>3,726,124</u>	<u>3,419,072</u>
Total shareholders' funds		<u><u>3,031,614</u></u>	<u><u>2,530,228</u></u>

The Annual Report and Financial Statements were approved by the board of directors and authorised for issue on 12/04/2019 and are signed on behalf of the board by:



John Cavill
Director

Company registration number: 03773791

The notes on pages 11 to 19 form part of the Annual Report and Financial Statements.

NewSchools (Penweddig) Limited

Statement of Changes in Equity

Year Ended 31 December 2018

		Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2017		1,000	(1,091,347)	3,209,727	2,119,380
Profit for the financial year				560,345	560,345
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	201,503	—	201,503
Total comprehensive income for the year		—	201,503	560,345	761,848
Dividends paid and payable	11	—	—	(351,000)	(351,000)
Total investments by and distributions to owners		—	—	(351,000)	(351,000)
At 31 December 2017		1,000	(889,844)	3,419,072	2,530,228
Profit for the financial year				653,052	653,052
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	194,334	—	194,334
Total comprehensive income for the year		—	194,334	653,052	847,386
Dividends paid and payable	11	—	—	(346,000)	(346,000)
Total investments by and distributions to owners		—	—	(346,000)	(346,000)
At 31 December 2018		<u>1,000</u>	<u>(695,510)</u>	<u>3,726,124</u>	<u>3,031,614</u>

Included in the fair value movement on cash flow hedging instruments is £224,853 (2017: £259,785) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 11 to 19 form part of the Annual Report and Financial Statements.

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2018

1. General Information

NewSchools (Penweddig) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The principal activity of the Company is to design, build, finance and operate a new secondary school in Aberystwyth in accordance with a 30 year contract with Cyngor Sir Ceredigion.

The Company's functional and presentation currency is the pound sterling.

2. Statement of Compliance

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

3. Accounting Policies

(a) Basis of preparation

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

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

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

(b) Disclosure exemptions

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

(a) No cash flow statement has been presented for the Company.

(b) Disclosures in respect of financial instruments have not been presented.

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

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

(c) Judgments and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

i) Impairment of assets

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

(d) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI (Private Finance Initiative) asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of the finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

(e) Income tax

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

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

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

ii) Deferred tax

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

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

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

(f) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

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

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

(h) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(i) Financial instruments

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

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

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

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

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

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

(j) Hedge accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

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

4. Turnover

Turnover arises from:

	2018 £	2017 £
Rendering of services	<u>1,393,466</u>	<u>1,295,293</u>

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

5. Other Operating Income

	2018 £	2017 £
Third party revenue	<u>10,521</u>	<u>8,737</u>

6. Operating Profit

Operating profit or loss is stated after charging:

	2018 £	2017 £
Fees payable for the audit of the annual report and financial statements	<u>9,894</u>	<u>9,606</u>

Included in the fee above is £2,010 (2017: £1,951) for the audit of the immediate parent entity NewSchools (Penweddig) Holdings Limited.

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

7. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2017: nil). The directors did not receive any remuneration from the Company during the year (2017: £nil).

8. Other Interest Receivable and Similar Income

	2018 £	2017 £
Interest on cash and cash equivalents	9,786	3,307
Interest receivable on finance debtor	575,959	602,873
	<u>585,745</u>	<u>606,180</u>

9. Interest Payable and Similar Expenses

	2018 £	2017 £
Interest on bank loans and overdrafts	288,864	318,658
Interest due to Group undertakings	116,398	121,294
Other interest payable and similar expenses	8,635	4,829
	<u>413,897</u>	<u>444,781</u>

10. Tax on Profit

Major components of tax expense

	2018 £	2017 £
Current tax:		
UK current tax expense	154,478	139,764
Deferred tax:		
Origination and reversal of timing differences	(1,261)	(6,044)
Impact of change in tax rate	133	706
Total deferred tax	<u>(1,128)</u>	<u>(5,338)</u>
Tax on profit	<u>153,350</u>	<u>134,426</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 £	2017 £
Profit before taxation	806,402	694,771
Profit by rate of tax	153,217	133,720
Change in tax rates	133	706
Total tax charge	<u>153,350</u>	<u>134,426</u>

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2018 £	2017 £
Dividends on equity shares £346 per share (2017 : £351)	<u>346,000</u>	<u>351,000</u>

12. Debtors

Debtors amounts falling due within one year are as follows:

	2018 £	2017 £
Trade debtors	632	309
Prepayments and accrued income	227,724	195,930
Corporation tax repayable	139,762	—
Finance debtor	406,329	364,046
Other debtors	140	67
	<u>774,587</u>	<u>560,352</u>

Debtors amounts falling due after more than one year are as follows:

	2018 £	2017 £
Deferred tax asset	156,751	195,426
Finance debtor	<u>7,024,039</u>	<u>7,450,998</u>
	<u>7,180,790</u>	<u>7,646,424</u>

The movement in the finance debtor is analysed as follows:

	2018 £	2017 £
At beginning of year	7,815,044	8,171,647
Repayments	<u>(384,676)</u>	<u>(356,603)</u>
At end of year	<u>7,430,368</u>	<u>7,815,044</u>

13. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	398,371	399,645
Trade creditors	15,278	22,884
Amounts owed to Group undertakings	734,178	575,322
Accruals and deferred income	76,778	75,692
Taxation and social security	78,497	74,207
Other creditors	145,949	145,949
	<u>1,449,051</u>	<u>1,293,699</u>

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

13. Creditors: amounts falling due within one year *(continued)*

The amounts owed to Group undertakings include accrued interest of £9,655 (2017: £10,057) in respect to subordinated loan notes, together with capital repayments of £48,062 (2017: £42,929) due within 1 year offset by loan issue costs of £1,996 (2017: £1,644). The remainder of the amounts owed to Group undertakings relates to corporation tax group relief £678,457 (2017: £523,980).

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

	2018 £	2017 £
Bank loans and overdrafts	3,173,984	3,570,296
Amounts owed to Group undertakings	971,593	1,017,392
Accruals and deferred income	757,463	785,133
Derivative financial liability	837,964	1,072,101
Other creditors	182	182
	<u>5,741,186</u>	<u>6,445,104</u>

a) The bank loan is secured by a bond and floating charge over all the assets, rights and undertakings of the Company. The loan is repayable under an instalment scheme whereby small repayments are made in the first few years of the loan, the final repayment is due on 30 November 2027. The loan bears interest at LIBOR plus 0.95102% however the Company has an interest rate swap arrangement receiving LIBOR and paying interest fixed at 6.49% for approximately 99% of the loan drawn, hence fixing the majority of the interest payable on the bank loan to 7.44102%. The full amount of loan drawdown at 31 December 2018 is £3,638,161 (2017: £4,042,402). Issue costs of £65,807 (2017: £72,461) have been set off against the total loan drawdown.

b) Amounts owed to Group undertakings - In November 2001 the Company borrowed £1,400,000 from NewSchools (Penweddig) Holdings Limited under a subordinate debt agreement. The full amount of subordinate debt at 31 December 2018 is £985,413 (2017: £1,033,545). Loan issue costs of £13,820 (2017: £16,153) have been set off against the total loan drawdowns. The interest rate on this loan is 11% per annum with the capital repayable in six monthly installments, with the final repayment due in 2030. The Coupon on the principal amount accrues daily and is payable in cash on 31 May and 30 November each year. Interest not settled by cash on these dates is added to the principal and the Coupon accrues on this uplifted amount in the next interest period. Interest settled using this mechanism in the year was £nil (2017: £nil). The investment sum was advanced under a subordinated loan agreement and is therefore unsecured, and would rank alongside ordinary creditors in the case of a winding up.

15. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	2018 £	2017 £
Included in debtors (note 12)	<u>156,751</u>	<u>195,426</u>

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

	2018 £	2017 £
Accelerated capital allowances	(16,247)	(15,443)
Short term timing differences	1,950	5,910
Derivative financial instruments	<u>(142,454)</u>	<u>(185,893)</u>
	<u>(156,751)</u>	<u>(195,426)</u>

NewSchools (Penweddig) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

15. Deferred Tax *(continued)*

There are no unused tax losses or unused tax credits.

The net deferred tax liability expected to reverse in 2019 is £2,184 (2018: £2,744).

	2018
	£
Opening balance	(195,426)
Movement through the profit or loss	(1,128)
Movement through other comprehensive income	39,803
Closing balance	<u>(156,751)</u>

16. Financial Instruments

The fair values of the interest rate swap have been calculated by discounting the fixed cash flows at forecasted forward interest rates over the term of the financial instrument. The bank borrowing and finance debtor are both held at amortised cost.

17. Called Up Share Capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

18. Reserves

The hedging reserve records fair value movements on cash flow and net investment hedging instruments.

Retained earnings records retained earnings and accumulated losses.

19. Related Party Transactions

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

20. Controlling Party

The immediate parent undertaking is NewSchools (Penweddig) Holdings Limited.

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

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