AGP Holdings (1) Limited

Annual report and financial statements
Registered number 04152477
31 December 2015

Contents

Strategic Report

The directors present their Strategic report for AGP Holdings (1) Limited, the holding company of Annes Gate Property PLC for the year ended 31 December 2015

Principal activities

The Company is the holding company of Annes Gate Property PLC whose principal activity is the finance, design and construction, refurbishment and partial operation of a Home Office building under the Government's Private Finance Initiative (PFI). The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Review and analysis of the business during the current year

The Group continued its principal activities throughout the current year. These activities are outlined above.

The Group, as defined in note 17 to the financial statements, has entered into a project agreement with Her Majesty's Principal Secretary of State for the Home Department (the "Authority"), together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements ('the Project Agreement'). The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain non-core services within the new Home Office for a primary term of twenty-nine years commencing 26 March 2002, the date of signing of the Project Agreement ('the Project') to 02 April 2031.

In order to achieve these objectives, the group's strategy is to sub-contract services to third party providers who hold the relevant technical knowledge and resources to deliver these services.

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the "Authority" in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider. In the year ended 31 December 2015, deductions of £50,200 (2014:£41,504) had been levied which represents 0.1% (2014: 0.1%) of revenue. The Directors feel the performance for the year to be satisfactory.

2. Financial performance

The Group have modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 December 2015, the Company's performance against this measure was satisfactory.

Position of the Company at the year end

The Group is in the operational phase of the contract. In the opinion of the directors the Project is proceeding satisfactorily.

Development and financial performance during the year

As reported in the Group's profit and loss account, revenue has decreased from £30,440,000 in 2014 to £29,084,000 in 2015 in line with expectations.

The profit for the year after taxation was £5,530,000 (2014:£3,651,000). The directors consider the results for the year satisfactory.

The balance sheet shows that the net carrying value of the Group's net assets at year end was £10,180,000 (2014: £5,350,000).

Principal risks and uncertainties

The "Authority" is the sole client of the company but the directors consider that no strategic risk arises from such a small client base since the client is a central government organisation and its obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Performance risk under the Project Agreement and related contracts is passed on to the service provider or the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk and liquidity risk. Refer to note 15 for further detail.

Future prospects

The Group will continue to provide and support the "Authority", in its development of the Home Office under the PFI scheme.

Approval

This report was approved by the board on 2016 and signed on its behalf by:

A Caines
Director
2016

21 St Thomas Street
Bristol
BS1 6JS

Directors' report
for the year ended 31 December 2015

The Directors present their annual report and the audited financial statements of AGP Holdings (1) Limited for the year ended 31 December 2015.

Dividend

Ordinary dividends totalling £700,000 were declared during the year and paid to the shareholder (2014: £nil). The Directors do not propose to pay a final dividend in respect of 2015 (2014:£nil).

Political and charitable contributions

There were no political or charitable contributions during the year (2014: £nil)

Directors

The Directors of the Company who held office during the year and to the date of signing these financial statements are listed below:

B Bodin

D J Carr

M Wayment

A Caines

Directors' indemnity

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Financial instruments

The Group's principal financial instruments comprise of short term bank deposits, index-linked and fixed rate bonds. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Group does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument and the Company's ability to do so is restricted by covenants in its existing funding agreements.

Exposure to liquidity, credit and interest rate risks arise in the normal course of the Company's business. Further details relating to these risks are given in note 14 to the financial statements.

Interest-bearing bank loans and other borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Directors' report *(continued)*
for the year ended 31 December 2015

Disclosure of information to auditor

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

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

A Caines
Director

2016

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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;
- 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of AGP Holdings (1) Limited

We have audited the financial statements of AGP Holdings (1) Limited for the year ended 31 December 2015 set out on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102. *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

W. Meredith

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24/6/2016

Consolidated profit and loss account
for year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	*2*	**29,084**	30,440
Cost of sales		**(19,925)**	(21,584)
Gross profit		**9,159**	8,856
Administrative expenses		**(1,099)**	(1,023)
Operating profit		**8,060**	7,833
Interest receivable and similar income	*5*	**15,020**	15,273
Interest payable and similar charges	*6*	**(16,214)**	(18,801)
Profit on ordinary activities before taxation		**6,866**	4,305
Tax on profit on ordinary activities	*7*	**(1,336)**	(654)
Profit for the financial year		**5,530**	3,651

All recognised gains and losses are shown in the Profit and Loss account above. Therefore, a statement of other comprehensive income has not been prepared.

The notes on pages 13 to 26 form an integral part of these financial statements

Consolidated balance sheet
at 31 December 2015

	Note	**2015** **£000**	2014 £000
Current assets			
Debtors (including £242,076,000 (2014: £246,588,000) due after more than one year)	*8*	**249,583**	252,173
Cash at bank and in hand		**23,559**	26,358
Total current assets		**273,142**	278,531
Current liabilities			
Creditors: amounts falling due within one year	*9*	**(17,922)**	(19,602)
Net current assets		**255,220**	258,929
Creditors: amounts falling due after more than one year	*10*	**(241,002)**	(251,079)
Provisions for liabilities and charges	*12*	**(4,038)**	(2,500)
Net assets		**10,180**	5,350
Capital and reserves			
Called up share capital	*14*	**550**	550
Profit and loss account		**9,630**	4,800
Equity shareholders' funds		**10,180**	5,350

The notes on pages 13 to 26 form an integral part of these financial statements

These financial statements were approved by the board of directors on and were signed on its behalf by:

A Caines
Director

Company registered number: 04152477

Company balance sheet
as at 31 December 2015

	Note	**2015**	2014
		£000	£000
Fixed assets			
Investments	*13*	**550**	550
Current assets			
Debtors (including £29,974,000 *(2014:£29,974,000)* due after more than one year)	*8*	**29,974**	32,203
Creditors: amounts falling due within one year	*9*	**-**	(2,229)
Net current assets		**29,974**	29,974
Creditors: amounts falling due after more than one year	*10*	**(29,974)**	(29,974)
Net assets		**550**	550
Capital and reserves			
Called up share capital	*14*	**550**	550
Equity shareholders' funds		**550**	550

The notes on pages 13 to 26 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 2016 and were signed on its behalf by:

A Caines
Director
2016

Company registered number: 04152477

Consolidated statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	550	1,149	1,699
Total comprehensive income for the period			
Profit	-	3,651	3,651
Total comprehensive income for the period	-	3,651	3,651
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2014	**550**	**4,800**	**5,350**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	550	4,800	5,350
Total comprehensive income for the period			
Profit	-	5,530	5,530
Total comprehensive income for the period	-	5,530	5,530
Dividends	-	(700)	(700)
Total contributions by and distributions to owners	-	(700)	(700)
Balance at 31 December 2015	**550**	**9,630**	**10,180**

The notes on pages 13 to 26 form an integral part of these financial statements

Company statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	550	-	550
Total comprehensive income for the period			
Profit	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	-
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2014	**550**	-	**550**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	550	-	550
Total comprehensive income for the period			
Profit	-	700	700
Total comprehensive income for the period	-	700	700
Dividend paid	-	(700)	(700)
Total contributions by and distributions to owners	-	(700)	(700)
Balance at 31 December 2015	**550**	-	**550**

The notes on pages 13 to 26 form an integral part of these financial statements

Consolidated cash flow statement
for the year ended 31 December 2015

	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Cash flows from operating activities		
Profit for the year	**5,530**	3,651
Adjustments for:		
Interest receivable and similar income	**(15,020)**	(15,273)
Interest payable and similar charges	**16,214**	18,801
Taxation	**1,336**	654
	8,060	7,833
Decrease in debtors	**2,498**	4,332
Decrease in creditors	**(683)**	(1,548)
	9,875	10,617
Tax paid	**-**	-
Net cash inflow from operating activities	**9,875**	10,617
Cash flows from investing activities		
Interest received	**15,020**	15,273
Interest paid	**(15,710)**	(14,625)
Net cash (outflow) / inflow from investing activities	**(690)**	648
Cash flows from financing activities		
Repayment of borrowings	**(11,984)**	(10,539)
Net cash from financing activities	**(11,984)**	(10,539)
Net (decrease) / increase in cash	**(2,799)**	726
Cash and cash equivalents at 1 January	**26,358**	25,632
Cash and cash equivalents at 31 December	**23,559**	26,358

The notes on pages 13 to 26 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Annes Gate Property PLC (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 18.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Service concession arrangements –The Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The Company's parent undertaking, AGP Holdings (1) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of AGP Holdings (1) Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to April 2031. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

1.3 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £17,198,000 at the year end (2014: £17,287,000).

1.4 Other financial instruments

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

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

1.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Impairment excluding deferred tax assets (continued)

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Finance debtor and service income

The Company is an operator of a PFI contract. 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.

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

1.8 Expenses

Interest receivable and Interest 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.

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

1.9 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Notes *(continued)*

2 Turnover

	2015	2014
	£000	£000
Services revenue	**29,084**	30,440

3 Auditor's remuneration

	2015	2014
	£000	£000
Audit of group and subsidiary financial statements	**15**	15
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**4**	4

4 Staff costs and Directors' remuneration

The company had no employees during the year (2014: none).

None of the directors received any emoluments from the company (2014: £nil). However, a total payment of £122,000 (2014: £120,000) was made to Infrastructure Investment LP for the services of directors.

5 Other interest receivable and similar income

	2015	2014
	£000	£000
Interest receivable on finance debtor	**14,935**	15,182
Bank interest receivable	**85**	91
	15,020	15,273

Notes *(continued)*

6 Interest payable and similar charges

	2015 £000	2014 £000
Interest on fixed rate bonds	**5,661**	5,661
Interest on index linked bonds	**4,311**	4,598
Indexation on index linked bonds	**1,400**	3,687
Interest on subordinated debt	**4,421**	4,421
Amortisation of debt issue costs	**421**	434
	16,214	18,801

Of the above amount £4,421 *(2014: £4,421)* was payable to group undertakings.

7 Taxation

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

	£'000	£'000
Group relief surrendered – prior years	**(202)**	**(908)**
Total current tax	**(202)**	**(908)**
Deferred tax		
Origination / reversal of timing differences	**1,538**	**1,562**
Tax on profit on ordinary activities	**1,336**	**654**

Notes *(continued)*

7 Taxation *(Continued)*

	2015			2014		
	Current Tax £000	**Deferred Tax £000**	**Total Tax £000**	Current Tax £000	Deferred Tax £000	Total Tax £000
Recognised in profit and loss account	**(202)**	**1,538**	**1,336**	(908)	1,562	654
Recognised directly in equity	**-**	**-**	**-**	-	-	-
Total tax	**(202)**	**1,538**	**1,336**	(908)	1,560	654

Reconciliation of effective tax rate

The tax assessed for the period differs from the average standard rate of corporation tax in the UK 20.25% (2014: 21.5%). The difference is explained below:

	2015 £000	2014 £000
Profit on ordinary activities after taxation	**5,530**	3,651
Total tax expense	**1,336**	654
Profit excluding taxation	**6,866**	4,305
Taxation using the UK corporation tax rate of 20.25% (2015: 21.5%)	**1,390**	926
Adjustment to tax charge in respect of prior years	**(54)**	(272)
Total tax expense included in the profit and loss account	**1,336**	654

The Company has tax losses of £54.1 million (2014: £57.4 million) which have been carried forward and will be offset against future taxable profits. A deferred taxation asset has been recognised for the tax losses.

Notes *(continued)*

7 Taxation *(Continued)*

Deferred tax

Deferred tax is provided at 20% (2014: 20%) in the financial statements. The elements of deferred taxation are as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Tax losses for prior periods	**10,827**	11,478
Total deferred tax asset	**10,827**	11,478
Capital allowances in excess of related finance debtor amortisation brought forward	**(13,978)**	(12,416)
Prior year adjustments to capital allowances claimed	**477**	(709)
Capital allowances & interest in excess of related finance debtor amortisation	**(1,364)**	(853)
Total deferred tax liability	**(14,865)**	(13,978)
Deferred tax liability (see note 12)	**(4,038)**	(2,500)

The deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Company. The future profits of the Company have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

Factors that may affect future current and total tax charges

A reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was enacted on 26 October 2015. Further reductions to18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the company's future total tax expense included in the profit and loss account accordingly. The deferred tax at 31 December 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

8 Debtors

	Group 2015 £000	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
Finance debtor	**246,588**	250,838	-	-
Subordinated debt receivable	-	-	**29,974**	29,974
Trade debtors	**231**	-	-	-
Prepayments and accrued income	**504**	427	-	2,229
Consortium tax relief receivable	**628**	908	-	-
Unitary charge control account	**1,632**	-	-	-
	249,583	252,173	**29,974**	32;203
Due within one year	**7,507**	5,585	-	2,229
Due after more than one year	**242,076**	246,588	**29,974**	29,974
	249,583	252,173	**29,974**	32,203

Amounts due from group undertakings due after more than one year are £29,974,000 (2014: £29,974,000).

Included in the finance debtor is an amount of £137.5 million which is subject to open market value testing two years and nine months before the date of expiry of the Project Agreement in 2031. In the opinion of the Directors this amount remains fully recoverable by the Group.

9 Creditors: amounts falling due within one year

	Group 2015 £000	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
3.237% Index-linked Guaranteed Secured bonds due 2030	**11,984**	11,525	-	-
Subordinated debt interest	-	2,229	-	2,229
Trade creditors	**2**	294	-	-
Other creditors	**915**	826	-	-
Accruals and deferred income	**5,021**	4,656	-	-
Unitary charge control account	-	72	-	-
	17,922	19,602	-	2,229

10 Creditors: amounts falling after more than one year

	Group 2015 £000	Group 2014 £000	**Company 2015 £000**	Company 2014 £000
Subordinated debt capital	**29,974**	29,974	**29,974**	29,974
3.237% Index-linked Guaranteed Secured bonds due 2030	**111,028**	121,105	-	-
5.661% Guaranteed Secured bonds due 2031	**100,000**	100,000	-	-
	241,002	251,079	**29,974**	29,974

Notes *(continued)*

11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2015 £000	2014 £000
Creditors falling due more than one year		
3.237% Index-linked Guaranteed Secured bonds due 2030	**111,028**	121,105
5.661% Fixed Guaranteed Secured bonds due 2031	**100,000**	100,000
Subordinated debt	**29,974**	29,974
	241,002	251,079
Creditors falling due within less than one year		
3.237% Index-linked Guaranteed Secured bonds due 2030	**11,984**	11,525
Subordinated debt	**-**	2,229
	11,984	13,754

Included within index-linked guaranteed secured bonds is an amount repayable after five years of £68,032,000 (2014: £76,885,000) and included within fixed guaranteed secured bonds is an amounts repayable after five years of £100,000,000 (2014:£100,000,000) respectively. Subordinated debt amount repayable after five years is £29,974,000 (2014: £29,974,000).

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2015	2014
Index linked bonds	GBP	3.237%	2030	Semi-annual	**123,012,000**	132,630,000
Fixed bonds	GBP	5.661%	2031	maturity	**100,000,000**	100,000,000
Subordinated debt	GBP	14.75%	2031	maturity	**29,974,000**	29,974,000

3.237% Index-linked Guaranteed Secured bonds and 5.661% Guaranteed Secured bonds are secured by a fixed and floating charge over the assets of the Company.

The Guaranteed Secured bonds are fixed at an interest rate of 5.661% and will be redeemed on their maturity in 2031.

The Index-linked Guaranteed Secured bonds are fixed at an interest rate of 3.237% which along with principal payments, are indexed to Retail Price Index using an agreed ratio. The indexed bonds repayments commence in 2006 and are fully redeemed by 2030.

The subordinated debt issued to the company by its parent bears interest at 14.75% with interest repayments commencing in 2006 until 2031, and all the capital will be repaid in September 2031.The subordinated debt is secured against the assets of the Company and are subordinated to the senior bonds.

Notes *(continued)*

12 Deferred tax

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
At 1 January 2014	**2,500**	938
Charge to the profit and loss account	**1,538**	1,562
At 31 December 2015	**4,038**	2,500

13 Fixed asset investments

	Shares in group undertakings £000
Company	
At beginning and end of year	**550**

The undertakings in which the Company's interest at the year-end is more than 20% are as follows:

	Country of incorporation	**Principal activity**	**Class and percentage of shares held Company**
Annes Gate Property PLC	United Kingdom	PFI operator	£1 ordinary shares 99.8%
AGP (2) Limited	United Kingdom	Holding company	£1 ordinary shares 100%

Notes *(continued)*

14 Called up share capital

	Group and Company 2015 £	Group and Company 2014 £
Allotted, called up and fully paid		
Equity: 550 Ordinary 'A' shares of £1 each	**550,098**	550,098
1 Ordinary 'B' shares of £1 each	**1**	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

15 Financial instruments

An explanation of the Company's objectives, policies and strategies for the role of financial instruments in creating and changing the risks of the Company in its activities can be found in the Strategic Report. The details relating to credit, liquidity and interest rate risks are explained below:

Credit risk

Although the "Authority" is the only customer of the Group, the directors are satisfied that the Authority will be able to fulfil its obligations under the PFI contract as their obligations are underwritten by the Secretary of State for the Home Department.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the year-end was:

	2015 £000	2014 £000
Assets measured at amortised cost		
Finance debtor	**246,588**	250,838
Subordinated debt	**29,974**	32,203
Trade and other debtors	**2,995**	1,335
	279,557	284,376
Assets measured at cost less impairment		
Cash and cash equivalents	**23,559**	26,358
	23,559	26,358
Liabilities measured at amortised cost		
Trade and other payables	**(5,938)**	(5,848)
Index-linked bonds	**(123,012)**	(132,630)
Fixed bonds	**(100,000)**	(100,000)
Subordinated debt	**(29,974)**	(32,203)
	(258,924)	(270,681)

Notes *(continued)*

15 Financial Instruments *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial obligations, including the repayment of its borrowings which are provided on a long term basis, have been structured to be met from the income which under normal operating conditions, will be earned from its long term concession contract with the "Authority" as their obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

Interest rate risk

The Company aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings (index-linked bonds). Except for the index-linked guaranteed secured bonds which are subject to bi-annual indexation calculated from an agreed formula based on the change in the Retail Prices Index, all the other interest-bearing assets and liabilities are primarily of fixed rate. The indexation risk is also offset by turnover being subject to similar indexation terms.

Capital risk management

The group manages its capital to ensure it is able to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group comprises equity attributable to equity holders consisting of ordinary share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

Risk analysis

In managing interest rate risks the Company aims to reduce the impact of short-term fluctuations on the Group's earnings. The index-linked bonds' indexation variations are offset by indexation on future income from the Authority. The Company's exposure to interest rate fluctuations is therefore restricted to amounts that can be earned on cash deposits. This risk is not considered to have a significant impact on overall returns. .

Notes *(continued)*

16 Related parties

During the year, the group incurred costs charged by these related parties as follows:

	Transactions		Balance owed to at year end	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Facility Management Services				
- ByHome Limited (FM Services)	**11,659**	11,469	**-**	-
- ByHome Limited (Variations)	**3,736**	6,038	**313**	201
- ByHome Limited (Lifecycle)	**4,385**	4,034	**673**	673
Management services				
- Infrastructure Investments LP	**-**	(59)	**-**	-
Directors' fees				
- Infrastructure Investments LP	**122**	120	**122**	120
-				
Subordinated debt (HICL)				
- Capital	**-**	-	**29,974**	29,974
- Interest	**4,421**	4,421	**-**	2,229
Consortium Relief				
- Metier Healthcare Limited	**75**	3	**75**	3
- Services Support (Manchester) Limited	**31**	205	**31**	205
- Integrated Bradford Spv Two Limited	**-**	54	**-**	54
- Alpha Schools (Highlands) Limited	**-**	352	**-**	352
- Axiom Education (Edinburgh) Limited	**-**	9	**-**	9
- By Education (Barking) Limited	**91**	44	**91**	44
- ByWest Limited	**-**	24	**-**	24
- Consort Healthcare (Mid Yorkshire) Limited	**-**	44	**-**	44
- Derby School Solutions Limited	**-**	1	**-**	1
- Eastbury Park Limited	**-**	1	**-**	1
- Education 4Ayrshire Limited	**-**	23	**-**	23
- Enterprise Education Conwy Limited	**-**	26	**-**	26
- Enterprise Healthcare Limited	**-**	34	**-**	34
- H & D Support Services Limited	**-**	1	**-**	1
- PFF Dorset Limited	**-**	27	**-**	27
- Ravensbourne Health Services Limited	**6**	19	**6**	19
- Sheppey Route Limited	**-**	41	**-**	41
	24,526	26,931	**31,285**	34,105

Notes *(continued)*

17 Ultimate parent company and parent undertaking of larger group of which the Company is a member

Infrastructure Investments Holdings Limited registered in England and Wales, is the shareholder of AGP Holdings (1) Limited.

The smallest and largest Group in which the results of the Company are consolidated is that headed by AGP Holdings (1) Limited (the "Group"). The consolidated accounts of this Group are available to the public and may be obtained from 21 St Thomas Street, Bristol, BS1 6JS.

The ultimate parent company is HICL Infrastructure Company Limited incorporated in Guernsey.

18 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set at in Note 1 have been applied in preparing these financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

No changes have been required to the balance sheet or the profit and loss account through the transition to FRS 102 and therefore no reconciliation has been prepared.

19 Accounting estimates and judgements

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

- Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.