

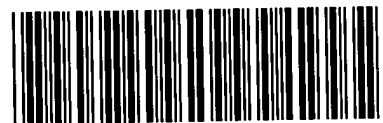
Company Registration No. 04157174

**PYRAMID ACCOMMODATION SERVICES
(CORNWALL) HOLDINGS LIMITED**

Annual Report and Financial Statements

For the year ended 31 March 2018

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PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS	Page
Officers and professional advisers	1
Group strategic report	2
Directors' report	4
Directors' Responsibilities statement	5
Independent auditor's report	6
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Company statement of financial position	11
Company statement of changes in equity	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the financial statements	15

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C R Field
C T Solley
M T Smith
I D Lamerton
J S Gordon
P K Johnstone

COMPANY SECRETARY

W L Rapley

REGISTERED OFFICE

Interserve House
Ruscombe Park
Twyford
Reading
Berkshire
RG10 9JU

BANKERS

Bank of Scotland
Client Banking England
11 Earl Grey Street
Edinburgh
EH3 9BN

AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

GROUP STRATEGIC REPORT

The directors present their strategic report on the group for the year ended 31 March 2018. These financial statements have been prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

Review of the business

The company is a holding company with one wholly owned subsidiary undertaking. Pyramid Accommodation Services (Cornwall) Limited undertakes a Private Finance Initiative (PFI) concession contract to design, build, refurbish, finance and operate fire stations for Cornwall Council.

In the reporting year, the group made an operating profit of £227,000 (2017: operating profit of £149,000). The increase in profit is due to an improved operating profit margin. The benchmarked soft services have been taken in house by Cornwall Council via a variation rather than going out to tender to sub-contractors.

The group's operations are managed under the supervision of its shareholders and lenders and are largely determined by the detailed terms of the PFI contract with the Authority and the subcontracts with Interserve Construction Ltd formerly known as Interserve Project Services Limited ("ICL") which supplies the construction and lifecycle service and Sodexo FM Limited who supply facilities management and maintenance services throughout the life of the concession. For this reason, the company's directors believe that no other key performance indicators apart from profit are necessary or appropriate for an understanding of the performance or position of the business.

The PFI subcontracts with ICL and Sodexo are fixed for the life of the contract and this enables the company to have certainty over its income and major expenses until 2028. Furthermore the company has a Credit Agreement with its lenders which fixes the level of borrowing and repayments due until the loan is fully repaid in 2026 incorporating inter alia the terms of the PFI contract, Subcontract and Credit Agreement. This forecast, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontracts and Credit agreement. Therefore the directors, having considered the financial position of the group and its expected future cash flows, have prepared the financial statements on a going concern basis.

Directors do not anticipate a change in the company's activity for the foreseeable future.

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

The company was incorporated in Great Britain and registered in England and Wales. The company is domiciled in the United Kingdom.

Principal risk and uncertainties

The company's principal activity as detailed above is risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. One of the risks of the group is that services may not be able to continue due to the financial failure of one of the group's subcontractors. The financial stability of the facilities management and management services company is being monitored. Its main exposure is to financial risks as detailed in the following section.

One of the risks of the group is that services may not be able to continue due to the financial failure of one of the group's subcontractors. The financial stability of the facilities management and management service company is being monitored. The Directors have agreed in principle for the provision of management services to be transferred to a third party. That transfer will be subject to the consent of the Project's Lenders.

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance.

The board has policies for managing each of these risks and they are summarised below:

Interest rate risk

The company hedged its interest rate risk at the inception of the project by swapping its variable rate debt into fixed rate by the use of an interest rate swap. Interest is recognised on the accruals basis at the appropriate date.

Inflation risk

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

GROUP STRATEGIC REPORT

Financial risk management (continued)

Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project cash flows are reasonably predictable and so this is not a major risk area for the company.

Credit risk

The company receives the bulk of its revenue from a local authority and therefore is not exposed to significant credit risk. Cash investments and interest rate swap arrangement are with institutions of a suitable credit quality.

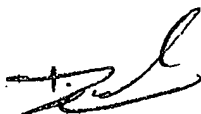
Ownership

In the directors' opinion there is no ultimate controlling party. The ultimate shareholders are Interserve plc, Dalmore Capital Fund acting by its manager Dalmore Capital Limited and Aberdeen Infrastructure Partners LP Inc acting by its manager Aberdeen Asset Managers Limited.

Going concern

The directors confirm that the financial statements have been prepared on the going concern basis and do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so. The directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. The directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.

Approved by the Board of Directors and signed on behalf of the Board



I D Lamerton

Date: 12 November 2018

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

Strategic Report

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This includes a review of the development of the business of the company during the year, of its position at the end of the year and the likely future developments in its business.

Details of the principal risks and uncertainties are included in the strategic report and includes information related to the going concern assumptions.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies via its sub-contractors to reduce any damage that might be caused by the company's activities.

Employees

The company has no direct employees (2017: nil).

Dividends

The directors have not declared or paid a dividend during the year (2017: £nil). No dividend is proposed at the year end (2017: £nil).

Events after reporting date

There have been no significant events since the balance sheet date.

Going concern

Information related to the going concern assumptions is included in the Strategic Report.

Directors

The directors, who served throughout the year and at the date of this report, are set out below.

C R Field
C T Solley
M T Smith
I D Lamerton
J S Gordon
P K Johnstone

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in the office as the auditor and a resolution to re-appoint them will be proposed.

Approved by the Board of Directors and signed on behalf of the Board



I D Lamerton

Date: 12 November 2018

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LTD

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Pyramid Accommodation Services (Cornwall) Holdings Limited (the 'parent company') and its subsidiaries (the 'group');

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 group's or the parent 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 these matters.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

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

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PYRAMID
ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED
(continued)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

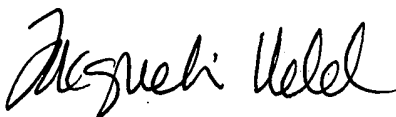
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

12 November 2018

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
TURNOVER	2	1,323	1,349
Cost of sales		(895)	(975)
GROSS PROFIT		428	374
Administrative expenses		(201)	(225)
OPERATING PROFIT	3	227	149
Interest receivable and similar income	4	523	543
Interest payable and similar charges	4	(446)	(475)
PROFIT BEFORE TAX		304	217
Tax on profit	5	128	(257)
PROFIT / (LOSS) FOR THE YEAR AND ATTRIBUTABLE TO SHAREHOLDERS	15	432	(40)
Other Comprehensive income/(expense)			
Fair value movement of derivatives		286	167
Deferred tax relating to the fair value movement on derivatives	6	(49)	(30)
Deferred tax due to movement in tax rate change		-	(10)
Other comprehensive income for the year		237	127
Total comprehensive income for the year		669	87

All results in the current and prior year derive from continuing operations.

The change in fair value of the interest rate swap liability and RPI swap asset were wholly recognised in other comprehensive income in the current and prior years. There was no amount recognised in profit or loss for this year (2017: £nil). The amount reclassified from equity to profit or loss for this year was £nil (2017: £nil).

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 £'000	2017 £'000
CURRENT ASSETS			
Debtors – amounts falling due within one year	9	560	344
Debtors – amounts falling due after more than one year	9	6,736	7,096
Cash at bank and in hand		404	175
Amounts on deposit		569	593
		<u>8,269</u>	<u>8,208</u>
CREDITORS: amounts falling due within one year	10	<u>(1,211)</u>	<u>(915)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,058</u>	<u>7,293</u>
CREDITORS: amounts falling due after more than one year	11	<u>(5,660)</u>	<u>(6,360)</u>
Provision for liabilities	12	<u>(1,046)</u>	<u>(1,250)</u>
NET ASSETS/(LIABILITIES)		<u>352</u>	<u>(317)</u>
CAPITAL AND RESERVES			
Called up share capital	14	4	4
Profit and loss account	15	975	543
Hedge reserve	19	(627)	(864)
SHAREHOLDERS' FUNDS/(DEFICIT)		<u>352</u>	<u>(317)</u>

The financial statements of Pyramid Accommodation Services (Cornwall) Holdings Limited, registered number 04157174 were approved by the Board of Directors and authorised for issue on 12 November 2018

Signed on behalf of the Board of Directors



I D Lamerton

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

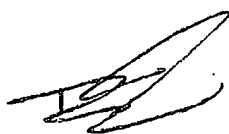
As at 31 March 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Investment in subsidiary undertaking	8	<u>1,104</u>	<u>1,104</u>
CURRENT ASSETS			
Debtors – amounts falling due within one year	9	-	-
CREDITORS: amounts falling due within one year	10	<u>-</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,104</u>	<u>1,104</u>
CREDITORS: amounts falling due after more than one year	11	<u>(1,100)</u>	<u>(1,100)</u>
NET ASSETS		<u>4</u>	<u>4</u>
CAPITAL AND RESERVES			
Called up share capital	13	<u>4</u>	<u>4</u>
SHAREHOLDERS' FUNDS		<u>4</u>	<u>4</u>

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss account. The profit of the company in the year was £Nil (2017: £Nil).

The financial statements of Pyramid Accommodation Services (Cornwall) Holdings Limited, registered number 04157174 were approved by the Board of Directors and authorised for issue on 12 November 2018

Signed on behalf of the Board of Directors



I D Lamerton

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

		Called up share capital £'000	Profit and loss account £'000	Hedge reserve £'000	Total £'000
At 1 April 2016		4	583	(991)	(404)
Profit for the year	14	-	(40)	-	(40)
Fair value movement on derivatives	18	-	-	167	167
Deferred tax on FV movement of derivatives	6	-	-	(40)	(40)
Total comprehensive loss		-	(40)	127	87
Dividends paid on equity shares	7	-	-	-	-
At 31 March 2017		<u>4</u>	<u>543</u>	<u>(864)</u>	<u>(317)</u>
At 1 April 2017		4	543	(864)	(317)
Profit for the year	14	-	432	-	432
Fair value movement on derivative	18	-	-	286	286
Deferred tax on FV movement of derivatives	6	-	-	(49)	(49)
Total comprehensive income		-	432	237	669
Dividends paid on equity shares	7	-	-	-	-
At 31 March 2018		<u>4</u>	<u>975</u>	<u>(627)</u>	<u>352</u>

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

		Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2016		4	-	4
Profit for the year	14	-	-	-
Total comprehensive income		-	-	-
Dividends paid on equity shares	7	-	-	-
At 31 March 2017		4	-	4
At 1 April 2017		4	-	4
Profit for the year	14	-	-	-
Total comprehensive income		-	-	-
Dividends paid on equity shares	7	-	-	-
At 31 March 2018		4	-	4

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS **For the year ended 31 March 2018**

	Note	31 March 2018 £'000	31 March 2017 £'000
Cash flows from operating activities	15	539	379
Interest received		523	543
Tax paid		(17)	(9)
Net cash generated from operating activities		<u>1,045</u>	<u>913</u>
Cash flows from investing activities		-	-
Management of Cash Deposits		24	41
Net cash from investing activities		<u>24</u>	<u>41</u>
Cash flows used in financing activities			
Repayment of secured senior loans		(401)	(370)
Interest paid		(439)	(467)
Equity dividends paid		-	-
Net cash used in financing activities		<u>(840)</u>	<u>(837)</u>
Net increase/(decrease) in cash and cash equivalents		229	117
Cash and cash equivalents at the beginning of the year		175	58
Cash and cash equivalents at the end of the year		<u>404</u>	<u>175</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		404	175
Cash equivalents		-	-
Cash and cash equivalents		<u>404</u>	<u>175</u>

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. ACCOUNTING POLICIES

Pyramid Accommodation Services (Cornwall) Holdings Limited (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1.

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted by the directors are described below, and have been applied consistently throughout the current and prior year except as noted below.

The financial statements have been prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The particular policies adopted by the directors are described below.

Going concern

The financial statements are prepared on a going concern basis. As disclosed on page 3 the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future.

Accounting convention

These financial statements have been prepared in accordance with the historical cost convention, modified to include certain items at fair value (see Derivative Financial Instruments below) and in accordance with FRS 102.

Accounting for PFI contracts

The Group has taken advantage of exemptions made available under section 35 10 (i) of FRS 102, and as such there has been no substantial change to the treatment of the financial asset receivable due to the adoption of the standard.

Under the terms of the contract, substantially all the risks and rewards of ownership of the property remain with Cornwall Council.

During the period of construction, costs incurred as a direct consequence of financing, designing and constructing the fire stations, including finance costs, are capitalised and shown as work in progress. On completion of the construction, credit is taken for the deemed sale, which is recorded within turnover. The construction expenditure and associated costs are reallocated to cost of sales. Amounts receivable are classified as a financial asset receivable (PFI debtor).

Revenues received from the customer are apportioned between:

- capital repayments;
- finance income; and
- operating revenue.

Cash Investments

Cash investments are stated at cost excluding any accrued interest and with no provision for impairment in value.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. ACCOUNTING POLICIES (continued)

Investment in subsidiary undertakings

Investments in subsidiary is held at the cost of the shares and the face value of the loan less any provision for impairment in value.

Financial instruments

The Group 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 Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

Basic financial assets

Basic financial assets, which include trade and other receivables 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.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any 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. The impairment loss 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 when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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 group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, 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 receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. ACCOUNTING POLICIES (continued)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items or income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Share Capital

Share capital recognised at amortised represents the amount of equity in the form of shares invested by the shareholders.

Critical accounting policies and key judgements

The preparation of financial statements in conformity with FRS 102 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 group's accounting policies are described below:

- Accounting for the service concession contract and finance debtors require an estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecast results of the PFI contract.
- Derivative financial instruments are held at fair value;
- Applicability of hedge accounting.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

Service Concession

The Group has been established to provide services under certain private finance agreements with Cornwall Council. Under the terms of these Agreements, the Council (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12.

Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 April 2014). The nature of the asset has therefore not changed.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Council), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Derivative financial instruments

The group holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract. See Hedge Accounting below for how the derivative is accounted for.

Hedge Accounting

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 fair value of the derivative financial instrument is recognised directly in the Statement of Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

Where hedge accounting recognises a liability, then an associated deferred tax asset is also recognised.

Group financial statements

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking. As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The result for the financial year of the parent company was £nil (2017: £nil).

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided, and is recognised each year as the applicable portions of the amounts receivable relating to finance and operating costs calculated on a consistent basis (see accounting policy note 1).

Turnover which is attributable to one geographical market, the United Kingdom, can be analysed as follows.

	2018	2017
	£'000	£'000
Turnover comprises:		
Turnover from operations	1,323	1,349
Total turnover	<u>1,323</u>	<u>1,349</u>

3. OPERATING PROFIT

	2018	2017
	£'000	£'000
This is stated after charging:		
Auditor remuneration – audit services for the audit of the company's annual Financial statements borne by the subsidiary	14	7
- Taxation services	<u>4</u>	<u>6</u>

The company had no employees (2017: nil) during the year other than the directors. Emoluments paid to third parties for directors' services to the company were £46,000 (2017: £46,000).

4. NET FINANCE INCOME

	2018	2017
	£'000	£'000
Interest receivable and similar income:		
Bank interest	3	5
Finance debtor interest	<u>520</u>	<u>538</u>
	<u>523</u>	<u>543</u>
Interest payable and similar charges:		
Subordinated debt interest	(144)	(144)
Senior secured loan	(67)	(80)
Swap interest	<u>(228)</u>	<u>(243)</u>
	<u>(439)</u>	<u>(467)</u>
Other finance charges		
Amortisation issue costs	<u>(7)</u>	<u>(8)</u>
	<u>(446)</u>	<u>(475)</u>

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 March 2018**

5. TAX CREDIT/(CHARGE) ON PROFIT

	2018	2017
	£'000	£'000
Current taxation charge comprises:		
Current tax	(95)	(75)
Prior year adjustment	19	10
	<u>(76)</u>	<u>(65)</u>
Deferred taxation:		
Timing difference, origination and reversal	204	(177)
Change in tax rate	-	(15)
	<u>128</u>	<u>(257)</u>
Factors affecting the tax charge in the year:		
Profit before tax	304	217
Tax charge on profit before tax at a blended rate of 19% (20% in 2017)	(58)	(43)
Contract income posted directly to balance sheet	(50)	(45)
Capital allowances in excess of depreciation	13	13
Prior year adjustment	19	10
Timing difference, origination and reversal	204	(192)
Total tax credit/(charge) for the year	<u>128</u>	<u>(257)</u>

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the statement of financial position date.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. TAX ON OTHER COMPREHENSIVE INCOME AND DEFERRED TAX ASSET

Deferred taxation provided for at 17% (2017: 17%) in the financial statements is set out below.

	2018 £'000	2017 £'000
Deferred taxation (charge) comprises:		
Deferred tax (charge) relating to movement in fair value	(49)	(30)
Charge relating to other comprehensive income to change in tax rate	-	(10)
	<u>(49)</u>	<u>(40)</u>

	2018 £'000	2017 £'000
Deferred tax asset		
Balance at start of year	177	217
Deferred tax credit to other comprehensive income relating to movement in fair value	(49)	(30)
Charge to other comprehensive income relating to change in tax rate	-	(10)
	<u>128</u>	<u>177</u>

The deferred tax asset will unwind across the life of the derivative financial instrument.

7. DIVIDENDS

	2018 £'000	2017 £'000
Dividend paid in year of £0.00 per share (2017: £0.00)	-	-
	<u>-</u>	<u>-</u>

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

8. INVESTMENT IN SUBSIDIARY UNDERTAKING

	2018 £'000	2017 £'000
£1 ordinary shares at cost	4	4
Loans due after 1 year	1,100	1,100
	<u>1,104</u>	<u>1,104</u>

The company owns 100% of the issued ordinary share capital of its subsidiary undertaking, Pyramid Accommodation Services (Cornwall) Limited, which is incorporated in Great Britain. The Registered address is Interserve House, Ruscombe Park, Twyford, Reading, Berkshire, RG10 9JU. Its activity is to design, build, refurbish, finance and operate fire stations in Cornwall. The result of Pyramid Accommodation Services (Cornwall) Limited in the year was £428k (2017: profit of £374k) and its capital and reserves at 31 March 2018 was in surplus of £50k (2017: £50k).

9. DEBTORS

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Trade debtors	116	-	3	-
Prepayments and accrued income	116	-	59	-
Financial asset receivable (PFI contract)	310	-	265	-
Deferred tax asset relating to swap valuation	18	-	17	-
	<u>560</u>	<u>-</u>	<u>344</u>	<u>-</u>
Amounts falling due after more than one year:				
Financial asset receivable (PFI contract)	6,626	-	6,936	-
Consortium relief receivable	-	-	-	-
Deferred tax asset relating to swap valuation	110	-	160	-
	<u>6,736</u>	<u>-</u>	<u>7,096</u>	<u>-</u>

The company has taken advantage of exemptions made available under section 35 10(i) of FRS 102, and as such there has been no substantial change to the treatment of the financial asset receivable due to the adoption of the standard.

Included within the financial asset is £533,000 (2017: 533,000) in respect of capitalised net finance costs. All interest was capitalised up to the start of operations in April 2003.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Secured senior loan	414	-	401	-
Unamortised issue costs	(7)	-	(7)	-
Subordinated loan	-	-	-	-
Interest rate swap liability	106	-	100	-
Trade creditors	170	-	7	-
VAT payable	98	-	57	-
Corporation tax liability	152	-	93	-
Accruals and deferred income	278	-	264	-
	<u>1,211</u>	<u>-</u>	<u>915</u>	<u>-</u>

The subordinated loan payable bears interest at a fixed rate of 13.08% and is repayable over the life of the contract. There is an £80k lifecycle control account accrual for unspent planned lifecycle following the closure of Camborne and Redruth fire stations. This is to be reimbursed to Cornwall Council.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Senior secured loan:				
Repayable between one and two years	450	-	414	-
Repayable between two and five years	1,532	-	1,452	-
Repayable after five years	1,954	-	2,484	-
Unamortised issue costs	(25)	-	(31)	-
Subordinated loan:				
Repayable after five years	1,100	1,100	1,100	1,100
Interest rate swap liability	649	-	941	-
	<u>5,660</u>	<u>1,100</u>	<u>6,360</u>	<u>1,100</u>

The secured senior loan represents amounts borrowed under a facility agreement with Sumitomo Mitsui Banking Corporation (SMBC). The loan bears interest at a 0.95% margin over LIBOR and is repayable in instalments between 2003 and 2026. The loan is secured by fixed and floating charges over the property, assets and rights of the company, and has certain covenants attached.

The subordinated loan stock represents amounts borrowed under loan note agreements with the shareholders. The loan notes bear interest at a rate of 13.5% per annum (compound equivalent to 6.54% semi-annual). The loan notes are repayable in March 2028.

In order to hedge against interest variations on the senior secured loan, the company has entered into an interest rate swap agreement with a bank whereby at monthly intervals sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount. (see note 19).

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

12. PROVISION FOR LIABILITIES

	2018 £'000	2017 £'000
Deferred tax		
Opening balance	1,247	1,056
Credited in year	(204)	191
Closing balance	<u>1,043</u>	<u>1,247</u>
Deferred tax consists of the following:		
Depreciation in excess of capital allowances	(34)	(38)
Deferred revenue capitalised	(208)	(216)
Deferred revenue	<u>1,285</u>	<u>1,501</u>
Deferred tax liability	<u>1,043</u>	<u>1,247</u>
Provision for PV panel cleaning	<u>3</u>	<u>3</u>
	<u>1,046</u>	<u>1,250</u>

13. FINANCIAL INSTRUMENTS

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
Financial assets that are debt instruments measured at amortised cost:				
Trade debtors	116	-	3	-
Finance asset receivable	6,936	-	7,201	-
	<u>7,052</u>	<u>-</u>	<u>7,204</u>	<u>-</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	755	-	1,041	-
Financial liabilities measured at amortised cost:				
Senior secured loan	4,350	-	4,751	-
Subordinated loan	1,100	-	1,100	-
Trade creditors	170	-	7	-
Other creditors	98	-	56	-
	<u>6,473</u>	<u>-</u>	<u>6,955</u>	<u>-</u>

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

14. CALLED UP SHARE CAPITAL

	2018	2017
	£'000	£'000
Authorised, called up, allotted and fully paid: 4,000 ordinary shares of £1 each	<u>4</u>	<u>4</u>

On incorporation 4,000 shares were issued at £1.

15. PROFIT AND LOSS ACCOUNT

	Group	
	2018	2017
	£'000	£'000
Balance at 1 April	543	583
Retained profit / (loss) for the year	432	(40)
Dividends	-	-
	<u>975</u>	<u>543</u>
Balance at 31 March		
	<u>975</u>	<u>543</u>
	Company	
	2017	2016
	£'000	£'000
Balance at 1 April 2017	-	-
Retained profit for the year	-	-
Dividends	-	-
	<u>-</u>	<u>-</u>
Balance at 31 March	<u>-</u>	<u>-</u>

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2018	2017
	£'000	£'000
Operating profit	227	149
Decrease/(increase) in debtors	95	238
Decrease in creditors	217	(8)
	<u>539</u>	<u>379</u>
Net cash inflow from operating activities	<u>539</u>	<u>379</u>

17. CONTROLLING PARTIES

At 31 March 2018 the company was jointly controlled by Interserve PFI Holdings Limited and Aberdeen Infrastructure (No.3) Limited. The ultimate parent companies who jointly control the company are Interserve Plc, Dalmore Capital Fund acting by its manager Dalmore Capital Limited and Aberdeen Infrastructure Partners L.P. Inc acting by its manager Aberdeen Asset Managers Limited.

These group financial statements are the smallest and largest that are prepared of which the company is a member. No other group financial statements are prepared.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

18. RELATED PARTY TRANSACTIONS

	Amounts paid during the year ended 31 March 2018 £'000	Amounts payable at 31 March 2018 £'000	Amounts paid during the year ended 31 March 2017 £'000	Amounts payable at 31 March 2017 £'000
Interserve PLC and its subsidiary undertakings				
For construction and other services	530	-	428	-
Subordinated debt principal	-	-	-	550
Subordinated debt interest	-	-	72	-
	<u>530</u>	<u>-</u>	<u>500</u>	<u>550</u>
Dalmore Capital Fund LP				
Other services	32	-	31	-
Subordinated debt principal	-	550	-	-
Subordinated debt interest	72	-	-	-
	<u>104</u>	<u>550</u>	<u>31</u>	<u>-</u>
Aberdeen Infrastructure Partners LP				
For services	32	-	31	-
Subordinated debt principal	-	550	-	550
Subordinated debt interest	72	-	72	-
	<u>104</u>	<u>550</u>	<u>103</u>	<u>550</u>

Amounts payable at 31 March 2018 are included within trade creditors, accruals and subordinated debt.

In accordance with the exemption under FRS 102 section 33, the company does not disclose transactions with group undertakings.

PYRAMID ACCOMMODATION SERVICES (CORNWALL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

19. HEDGE RESERVE

Derivatives that are designated and effective as hedging instruments carried at fair value

	2018	2017
	£'000	£'000
Interest rate swap on loans:		
Fair value of interest rate swap liability at year end	(755)	(1,041)
Tax on above	128	177
	<u>(627)</u>	<u>(864)</u>

On the 25 April 2001 the company entered into a twenty four and a half year years fixed interest rate swap arrangement to hedge exposure on its senior secured loan to the effect of interest rate fluctuations.

One swap was effected on a notional amount of £8,198,231 at a fixed rate of 5.83% payable bi-annually between 30 September 2003 and 30 September 2025.

The interest rate swap contract is designated as a hedge of variable interest rate risk of the company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the swap.

The fair value of the interest rate swap liability in the current and prior years has been determined by Bank of Ireland who have used relevant market data to determine their valuations.

20. CAPITAL COMMITMENTS

There are no capital commitments (2017: £nil).