

Registration number: 04167343

Agecroft Properties (No. 2) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2017



Agecroft Properties (No. 2) Limited

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Agecroft Properties (No. 2) Limited

Company Information

Directors	PPP Nominee Directors Limited A R Kershaw R Little
Company secretary	Semperian Secretariat Services Limited
Registered office	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

Agecroft Properties (No. 2) Limited

Strategic Report for the Year Ended 31 March 2017

The directors present their strategic report for the year ended 31 March 2017.

Principal activity

The principal activity of the company is the leasing of commercial properties and is likely to remain so for the foreseeable future.

Results and review of business

The profit for the year is set out in the profit and loss account on page 7. The directors consider the performance of the company during the year and the financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

Principal risks and uncertainties

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer and funders as determined by the terms of their respective detailed PFI contracts. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities. For this reason, the company's directors believe that further operational key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the directors monitor compliance with debt covenant ratios as specified in the senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

20 JUN 2017

Approved by the Board on and signed on its behalf by:

.....
Semperian Secretariat Services Limited
Company secretary

29 JUN 2017

Agecroft Properties (No. 2) Limited

Directors' Report for the Year Ended 31 March 2017

Registration number: 04167343

The directors present their report and the audited financial statements for the year ended 31 March 2017.

Future developments

No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

Dividends

A dividend of £100,492 (£100,492.00 per ordinary share) was paid during the year (2016: £174,585, £174,585.00 per ordinary share).

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 directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The senior debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 11.

Inflation risk

The income and cost base of the company are not significantly impacted by the effects of inflation.

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The company receives the majority of its revenue from Agecroft Prison Management Limited and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Directors of the company

The directors who held office during the year were as follows:

P Dodd (resigned 1 June 2016)

PPP Nominee Directors Limited

A R Kershaw

R Little (appointed 1 June 2016)

Agecroft Properties (No. 2) Limited

Directors' Report for the Year Ended 31 March 2017 (continued)

Statement of directors' responsibilities

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

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

Under company law the directors must not approve the 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 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.

Disclosure of information to the auditors

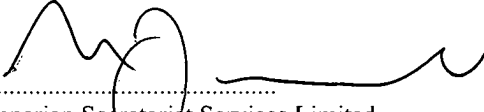
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

20 JUN 2017

Approved by the Board on and signed on its behalf by:


.....
Semperian Secretariat Services Limited
Company secretary

29 JUN 2017

Agecroft Properties (No. 2) Limited

Independent Auditors' Report to the members of Agecroft Properties (No. 2) Limited

Report on the financial statements

Our opinion

In our opinion, Agecroft Properties (No. 2) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2017;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended; and
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Agecroft Properties (No. 2) Limited

Independent Auditors' Report to the members of Agecroft Properties (No. 2) Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

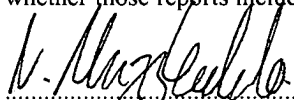
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Nick Muzzlewhite (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 11/07/17

Agecroft Properties (No. 2) Limited

Profit and Loss Account for the Year Ended 31 March 2017

	Note	2017 £	2016 £
Gross rentals receivable under finance leases		5,084,004	5,084,004
Less: amounts allocated to the repayment of finance leases		<u>(2,386,978)</u>	<u>(2,182,068)</u>
Gross earnings under finance leases		2,697,026	2,901,936
Administrative expenses		<u>(146,914)</u>	<u>(145,776)</u>
Operating profit	4	2,550,112	2,756,160
Interest receivable and similar income	5	11,603	16,591
Interest payable and similar charges	6	<u>(1,836,071)</u>	<u>(2,018,750)</u>
Profit on ordinary activities before taxation		725,644	754,001
Taxation	7	<u>(88,642)</u>	<u>(478,909)</u>
Profit for the financial year		<u><u>637,002</u></u>	<u><u>275,092</u></u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 March 2017

	Note	2017 £	2016 £
Profit for the financial year		<u>637,002</u>	<u>275,092</u>
Other comprehensive income:			
Change in value of hedging instrument	16	(234,763)	(511,699)
Reclassifications to profit and loss	16	1,047,117	1,159,645
Deferred tax arising on unrealised movements on cash flow hedges	7	<u>(178,476)</u>	<u>(210,342)</u>
Other comprehensive income for the year, net of tax		<u>633,878</u>	<u>437,604</u>
Total comprehensive income for the year		<u><u>1,270,880</u></u>	<u><u>712,696</u></u>

The notes on pages 10 to 19 form an integral part of these financial statements.

Agecroft Properties (No. 2) Limited

Balance Sheet as at 31 March 2017

	Note	2017 £	2016 £
Current assets			
Debtors: Amounts falling due after more than one year	8	25,590,724	28,201,870
Debtors: Amounts falling due within one year	9	2,627,934	2,404,685
Cash at bank and in hand		<u>2,858,877</u>	<u>3,020,013</u>
		31,077,535	33,626,568
Creditors: Amounts falling due within one year	10	<u>(3,229,894)</u>	<u>(3,637,311)</u>
Total assets less current liabilities		27,847,641	29,989,257
Creditors: Amounts falling due after more than one year	10	(21,438,429)	(24,702,161)
Provisions for liabilities	12	<u>(1,102,041)</u>	<u>(1,150,313)</u>
Net assets		<u>5,307,171</u>	<u>4,136,783</u>
Capital and reserves			
Called up share capital	13	1	1
Cash flow hedge reserve		(2,676,968)	(3,310,846)
Profit and loss account		<u>7,984,138</u>	<u>7,447,628</u>
Total equity		<u>5,307,171</u>	<u>4,136,783</u>

20 JUN 2017

Approved and authorised by the Board on and signed on its behalf by:



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A R Kershaw

Director

The notes on pages 10 to 19 form an integral part of these financial statements.

Agecroft Properties (No. 2) Limited

Statement of Changes in Equity for the Year Ended 31 March 2017

	Note	Called up Share capital £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
At 1 April 2015		1	(3,748,450)	7,347,121	3,598,672
Profit for the financial year		-	-	275,092	275,092
Other comprehensive income		-	437,604	-	437,604
Total comprehensive income		-	437,604	275,092	712,696
Dividends	14	-	-	(174,585)	(174,585)
At 31 March 2016		1	(3,310,846)	7,447,628	4,136,783

	Note	Called up Share capital £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
At 1 April 2016		1	(3,310,846)	7,447,628	4,136,783
Profit for the financial year		-	-	637,002	637,002
Other comprehensive income		-	633,878	-	633,878
Total comprehensive income		-	633,878	637,002	1,270,880
Dividends	14	-	-	(100,492)	(100,492)
At 31 March 2017		1	(2,676,968)	7,984,138	5,307,171

The notes on pages 10 to 19 form an integral part of these financial statements.

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

1 General information

The principal activity of the company is the leasing of commercial properties and is likely to remain so for the foreseeable future.

The company is a private company limited by shares and is incorporated and domiciled in England.

The address of its registered office is:

Third Floor
Broad Quay House
Prince Street
Bristol
BS1 4DJ

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The project meets the definition of a Service Concesssion Arrangement under FRS 102, but the company has elected to take the exemption under FRS 102 paragraph 35.10(i) to continue to apply its previous accounting treatment under UK GAAP, as the project was entered into prior to the date of transition to FRS 102. Accordingly the assets under the PFI contract have continued to be accounted for as finance leases.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Finance leases

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

The net investment in finance leases is included in debtors and represents total minimum lease payments less gross earnings allocated to future years and non-refundable rents in advance. Income from finance leases is credited to the profit and loss account, as 'Gross rentals receivable under finance leases' using the actuarial method to give a constant periodic rate of return on the net cash investment.

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial Instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

2 Accounting policies (continued)

(ii) Financial 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

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.

(iv) Derivatives and Hedging arrangements

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

2 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The exemptions are:

- (i) the requirement to prepare a statement of cash flows;
- (ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (iii) the requirement to disclose related party transactions, with the members of the same group, that are wholly owned.

3 Critical accounting judgements and estimation uncertainty

Judgements, 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 subsequently differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made 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, adopted by management, in applying the company's accounting policies are described below:

Impairment of debtors

Management makes an estimate of the likely recoverable value of trade and other debtors by considering factors including the current credit rating, the ageing profile and the historic experience of the respective debtor. See note 9 for the carrying value of the debtors.

Treatment and Measurement of derivatives

The directors have adopted a policy of cash flow hedge accounting for derivative financial instruments and have assessed that the company's interest rate swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cash flow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

The derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The company has used a third party expert to assist with valuing such instruments.

Taxation

The assessment of the tax charge may include uncertain tax positions where the tax treatment has not yet been agreed with the taxation authorities. Management make an estimate of the taxation charge for the period and the value of balances, with reference to legislation, discussions with taxation authorities, advice from taxation advisors, and the determination of similar taxation cases.

Deferred tax is recognised at tax rates that are expected to be applicable when the timing differences reverse, to the extent that such rates have been substantially enacted. Given the phased reduction in future tax rates in the UK, the deferred tax asset or liability recognised is therefore dependent upon an estimate of the timing of such reversals.

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

4 Operating profit

The company had no employees, other than the directors, during the year (2016: none). The emoluments of the directors are paid by the controlling parties. The directors services to this company and to a number of fellow group companies are primarily of a non executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £nil (2016: £nil) to the company in respect of these services.

The audit fee of £7,175 (2016: £7,000) has been paid on the company's behalf by a related company, Imagile Infrastructure Management Limited (formerly Semperian Asset Management Limited), for which no recharge has been made (2016: £nil).

5 Interest receivable and similar income

	2017 £	2016 £
Interest income on bank deposits	<u>11,603</u>	<u>16,591</u>

6 Interest payable and similar charges

Interest payable includes £324,870 (2016: £324,872) payable on loans from group companies.

	2017 £	2016 £
Interest payable on senior debt	406,742	470,131
Interest rate swap costs	1,047,117	1,159,645
Interest payable on subordinated debt	324,870	324,872
Amortisation of debt issue costs	<u>57,342</u>	<u>64,102</u>
	<u>1,836,071</u>	<u>2,018,750</u>

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

7 Tax on profit on ordinary activities

(a) Tax expense included in profit or loss

	2017 £	2016 £
Current taxation		
UK corporation tax	583,319	808,054
UK corporation tax adjustment to prior periods	(267,929)	-
	<u>315,390</u>	<u>808,054</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(122,466)	(108,522)
Arising from changes in tax rates and laws	(104,282)	(220,623)
Total deferred taxation	<u>(226,748)</u>	<u>(329,145)</u>
Tax on profit on ordinary activities	<u>88,642</u>	<u>478,909</u>

(b) Tax relating to items recognised in other comprehensive income or equity

	2017 £	2016 £
Deferred tax		
Arising from origination and reversal of timing differences	138,100	116,631
Arising from changes in tax rates and laws	40,376	93,711
Total tax expense included in other comprehensive income	<u>178,476</u>	<u>210,342</u>

(c) Reconciliation of tax charge

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2016: higher than the standard rate of corporation tax in the UK) of 20% (2016: 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit before tax	<u>725,644</u>	<u>754,001</u>
Corporation tax at standard rate	145,129	150,800
Expenses not deductible for tax purposes	294,112	536,674
Re-measurement of deferred tax- change in UK tax rate	(82,670)	(208,565)
Adjustments to tax charge in respect of prior years	<u>(267,929)</u>	<u>-</u>
Total tax charge	<u>88,642</u>	<u>478,909</u>

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

7 Taxation (continued)

(d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

8 Debtors: Amounts falling due after more than one year

	2017	2016
	£	£
Gross finance lease receivable	39,674,365	44,758,369
Less: future earnings	(11,472,478)	(14,169,505)
Net investment in finance lease	<u>28,201,887</u>	<u>30,588,864</u>
Less: amounts falling due within one year	(2,611,163)	(2,386,994)
	<u>25,590,724</u>	<u>28,201,870</u>

The gross finance lease is receivable as follows:

	2017	2016
	£	£
Within one year	5,084,004	5,084,004
Within two to five years	20,336,016	20,336,016
Greater than five years	14,254,345	19,338,349
	<u>39,674,365</u>	<u>44,758,369</u>

There is no residual value accruing to the benefit of the lessor.

9 Debtors: Amounts falling due within one year

	2017	2016
	£	£
Prepayments and accrued income	16,771	17,691
Finance lease receivables	<u>2,611,163</u>	<u>2,386,994</u>
	<u>2,627,934</u>	<u>2,404,685</u>

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

10 Creditors

	Note	2017 £	2016 £
Amounts falling due within one year			
Senior debt	11	2,451,379	2,321,940
Amounts owed to group undertakings		80,105	80,106
Other taxation and social security		84,733	84,733
Accruals and deferred income		344,319	388,535
Group relief		269,358	761,997
		<u>3,229,894</u>	<u>3,637,311</u>
Amounts falling due after more than one year			
Senior debt	11	15,892,654	18,344,032
Subordinated debt	11	2,320,512	2,320,512
Derivative financial instruments	16	3,225,263	4,037,617
		<u>21,438,429</u>	<u>24,702,161</u>

11 Loans and borrowings

	2017 £	2016 £
Loans and borrowings falling due within one year		
Senior debt	<u>2,451,379</u>	<u>2,321,940</u>
Loans and borrowings falling due between one and five years		
Senior debt	<u>11,131,232</u>	<u>10,573,532</u>
Loans and borrowings falling due after more than five years		
Senior debt	4,761,422	7,770,500
Subordinated debt	<u>2,320,512</u>	<u>2,320,512</u>
	<u>7,081,934</u>	<u>10,091,012</u>

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

11 Loans and borrowings (continued)

The senior debt, due to another group company, is repayable in semi-annual instalments with a final payment date of 30 June 2023. Interest is calculated semi-annually in arrears. Interest on the debt is fixed at a rate of 7.38%, through the use of an interest swap.

The loan is secured under a debenture deed. Under the terms of the debenture, the finance provider has security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties held by the company and buildings and fixtures on those properties. The finance provider also has security over all other assets of the company by way of fixed and floating charges.

The subordinated debt, which is due to the immediate parent undertaking, is repayable in semi-annual instalments, whenever the company has sufficient funds to do so, with the final repayment date being 30 June 2023. Interest on the debt is fixed at a rate of 14% per annum.

12 Provisions for liabilities

	Deferred tax £
At 1 April 2016	1,150,313
Additions dealt with in profit or loss	(226,748)
Additions dealt with in other comprehensive income	178,476
At 31 March 2017	<u>1,102,041</u>

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2017 £	2016 £
Accelerated capital allowances	1,650,336	1,877,084
Fair value of financial instruments	(548,295)	(726,771)
	<u>1,102,041</u>	<u>1,150,313</u>

The net deferred tax liability expected to reverse in the next 12 months is £133,000. This relates to the reversal of timing differences on capital allowances.

13 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1

Agecroft Properties (No. 2) Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

14 Dividends

	2017 £	2016 £
Dividends paid - £100,492.00 (2016: £174,585.00) per ordinary share	<u>100,492</u>	<u>174,585</u>

15 Related party transactions

As a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited, the company has taken advantage of the exemption under FRS 102 - paragraph 33.1A of the requirement to disclose transactions between it and other group companies.

16 Financial instruments

Fair value of derivatives used for hedging in the Balance Sheet

	Note	2017 £	2016 £
Creditors: due after one year - Fair value of swaps	10	<u>(3,225,263)</u>	<u>(4,037,617)</u>
Net Fair value of swaps in the Balance Sheet		<u>(3,225,263)</u>	<u>(4,037,617)</u>

Movement in Fair value of derivatives used for hedging

	2017 £	2016 £
Recognised through Other Comprehensive Income	<u>812,354</u>	<u>647,946</u>
	<u>812,354</u>	<u>647,946</u>

The company has entered into an interest rate swap to receive interest at LIBOR and pay interest at a fixed rate of 7.38%, including a margin of 1.4%. The swap is based on a principal amount equal to the senior loan, and matures in 2023 on the same date as the Senior loan.

Cash flows on both the loan and the interest rate swap are paid six-monthly. During the year ended 31 March 2017, a hedging loss of £234,763 (2016: £511,699 loss) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and £1,047,117 (2016: £1,159,645) was reclassified from the hedge reserve to profit and loss.

17 Parent and ultimate parent undertaking

The company's immediate parent is API Holdco Limited, incorporated in England and Wales.

The ultimate parent and controlling party is Semperian PPP Investment Partners Holdings Limited, incorporated in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited. These financial statements are available upon request from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.