

Linteum (Uttlesford) Limited

Annual report and financial statements
for the year ended 31 December 2018

Registered number: 04301228



Linteum (Uttlesford) Limited

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Linteum (Uttlesford) Limited

Company Information

Directors

I B Balfour

N Covington (appointed 19 November 2018)

K J Simpson

Company secretary

Pario Limited

Registered number

04301228

Registered office

Unit 18 Riversway Business Village

Navigation Way

Ashton-On-Ribble

Preston

PR2 2YP

Auditor

BDO LLP

3 Hardman Street

Spinningfields

Manchester

M3 3AT

Linteum (Uttlesford) Limited

Strategic report for the year ended 31 December 2018

The directors present the strategic report of Linteum (Uttlesford) Limited for the year ended 31 December 2018.

Principal activities and future developments

The principal activity of the company is the construction and management of leisure facilities for Uttlesford District Council under a Private Finance Initiative contract.

There are no anticipated future developments for this company other than the fulfilment of the Private Finance Initiative contract.

Review of the business

The construction phase is complete and the project is in a fully operational state.

Revenue is received in the form of a Unitary Charge payment. This is calculated from a base amount indexed each year and charged on a monthly basis. This continues to be charged and paid in line with the contract and financial model. For the year to 31 December 2018 Unitary Charge of £1,029,434 (2017: £1,158,342) was charged and received.

The costs are treated in a similar way starting with a base cost which is indexed on an annual basis and charged on a monthly basis. All costs continue to be in line with the budget and financial model.

The senior loan and subordinated loan continue to be serviced in line with the hedging instrument in place and the financial model. The model is updated on a semi-annual basis and approved by Senior Lenders. The total debt at 31 December 2018 of £4,456,501 (2017: £4,668,708) against cash in hand of £958,093 (2017: £817,628) gives a net debt position of £3,498,408 (2017: £3,851,080).

Operating profit margin at 31 December 2018 is 41% (2017: 38%).

The forthcoming year is expected to bring the continued delivery of high quality services to the client of Linteum (Uttlesford) Limited, with business performance meeting shareholder expectations.

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for the understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risks and uncertainties are noted below:

Financial risk management

The company's operations expose it to a variety of financial risks that include interest rate risk, price risk, cash flow risk, credit risk and liquidity risk. The UK's expected departure from the EU is not considered to present a significant risk to the company.

Linteum (Uttlesford) Limited

Strategic report for the year ended 31 December 2018 (continued)

Principal risks and uncertainties, continued

Interest rate risk

The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by using hedging instruments to manage interest rate risk. The company has a policy of maintaining 100 per cent of its senior and subordinated debt (2017: 100 per cent) at a fixed rate throughout the life of the concession.

The risk management programme is set by the board of directors and implemented by the management services company finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk.

Price risk

The company's price risk is managed through a thirty three year project agreement with Uttlesford District Council providing for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with Uttlesford District Council. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Cash flow and credit risk

The company receives availability and facilities management cash flows which are subject to non-availability and performance deductions. Cash flows are secured under a long-term contract with Uttlesford District Council, whose liabilities are effectively underwritten by the UK Government. Variability in cash flows relating to senior debt interest payments is mitigated through the use of an interest rate swap contract.

Liquidity risk

The company manages its liquidity risk by ensuring it has sufficient borrowing facilities to meet its short term financial commitments. Liquidity risk is minimised through committed revenue streams which are profiled in line with the project agreement to meet the company's financial obligations.

Uttlesford District Council is the sole client of the company, but the directors consider that no significant risk arises from having such a small client base, as should Uttlesford District Council cease to exist, under the provisions of the contract, the UK Government must secure that all its liabilities are dealt with.

Performance risk under the project agreement and related contracts is passed down to the service providers under the terms of their sub-contracts. The obligations of the sub-contractors are underwritten by parent company guarantees.

By order of the Board



I B Balfour
Director

21 June 2019

Linteum (Uttlesford) Limited

Directors' report for the year ended 31 December 2018

The directors submit their annual report and the audited financial statements of the company for the year ended 31 December 2018.

Directors' Responsibilities Statement

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 elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 for the financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

Principal activities

The principal activity of the company is the construction and management of leisure facilities for Uttlesford District Council under a Private Finance Initiative contract.

Directors

The directors of the company during the year ended 31 December 2018 and up to the date of signing of the financial statements were:

I B Balfour
N Covington (appointed 19 November 2018)
K J Simpson

Linteum (Uttlesford) Limited

Directors' report for the year ended 31 December 2018 (continued)

Going concern

The directors acknowledge that the company has net liabilities, however this is as a result of the interest rate swap, which is significantly out of the money, being brought onto the balance sheet in line with current accounting standards. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the company's ability to meet its liabilities as they fall due. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the company will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the company to meet its liabilities as they fall due for payment. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Dividends

The directors declared and paid a dividend of £172,909 in respect of the period (2017: £150,411).

The directors have not recommended the payment of any further dividends.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved under Section 418 of the Companies Act 2006 has confirmed that:

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

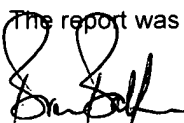
Auditor

The auditor, BDO LLP has been re-appointed in accordance with the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

The report was approved by the board on 21 June 2019

and signed on its behalf.


I B Balfour
Director

21 June 2019

Linteum (Uttlesford) Limited

Independent Auditor's Report to the Members of Linteum (Uttlesford) Limited

Opinion

We have audited the financial statements of Linteum (Uttlesford) Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Financial Position, the Statement of Comprehensive Income and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

Linteum (Uttlesford) Limited

Independent Auditor's Report to the Members of Linteum (Uttlesford) Limited (continued)

Other information (continued)

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 this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Linteum (Uttlesford) Limited

Independent Auditor's Report to the Members of Linteum (Uttlesford) Limited (continued)

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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

BDO LL

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester

Date: 25/06/2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Linteum (Uttlesford) Limited

Statement of Comprehensive Income for the year ended 31 December 2018

		Year ended 31 December 2018	Year ended 31 December 2017
	Note	£	£
Turnover	1	567,858	614,044
Administrative expenses		(334,629)	(378,365)
Operating profit	3	233,229	235,679
Finance income/investment income	4	361,374	364,486
Finance costs	5	(369,285)	(367,715)
Profit on ordinary activities before taxation		225,318	232,450
Tax on profit on ordinary activities	6	(68,130)	(51,505)
Profit on ordinary activities after taxation and profit for the financial year	11	157,188	180,945
Other comprehensive income			
Fair value gains on interest rate swaps	12	131,504	273,578
Deferred tax arising on fair value gains	12	(22,356)	(46,508)
Total comprehensive income for the year		266,366	408,015

All results above relate to continuing activities.

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

The notes on pages 12 to 27 form part of these financial statements.

Linteum (Uttlesford) Limited

Statement of Financial Position as at 31 December 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current assets			
Debtors: amounts falling due after more than one year	7	4,334,550	4,574,951
Debtors: amounts falling due within one year	7	279,709	407,734
Cash at bank and in hand		958,093	817,628
		5,572,352	5,800,313
Creditors: amounts falling due within one year	8	(452,840)	(493,687)
Net current assets		5,119,512	5,306,626
Creditors: amounts falling due after more than one year	8	(5,435,058)	(5,715,599)
Net liabilities		(315,546)	(408,973)
Capital and Reserves			
Called up share capital	10	50,000	50,000
Profit and loss reserve	11	507,732	523,453
Cash flow hedge reserve	12	(873,278)	(982,426)
Total shareholder's deficit		(315,546)	(408,973)

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

The notes on pages 12 to 27 form part of these financial statements.

The financial statements were approved by the board and authorised for issue on 21 June 2019 and were signed on its behalf by:


 I B Balfour
 Director

Company Registration No: 04301228

Linteum (Uttlesford) Limited

Statement of Changes in Equity for the year ended 31 December 2018

	Note	Share capital	Retained earnings	Cash flow hedge reserve	Total equity
		£	£	£	£
Balance at 1 January 2017		50,000	492,919	(1,209,496)	(666,577)
Profit for the year		-	180,945	-	180,945
Other comprehensive income					
Change in fair value of interest rate swap	12	-	-	273,578	273,578
Deferred taxation arising on interest rate swap	13	-	-	(46,508)	(46,508)
Total comprehensive income for the year		-	180,945	227,070	408,015
Dividends paid	14	-	(150,411)	-	(150,411)
Total Transactions with owners in their capacity as owners		-	(150,411)	-	(150,411)
Balance at 31 December 2017		50,000	523,453	(982,426)	(408,973)
Profit for the year		-	157,188	-	157,188
Other comprehensive income					
Change in fair value of interest rate swap	12	-	-	131,504	273,578
Deferred taxation arising on interest rate swap	13	-	-	(22,356)	(22,356)
Total comprehensive income for the year		-	157,188	109,148	266,336
Dividends paid	14	-	(172,909)	-	(172,909)
Total Transactions with owners in their capacity as owners		-	(172,909)	-	(172,909)
Balance at 31 December 2018		50,000	507,732	(873,278)	(315,546)

The notes on pages 12 to 27 form part of these financial statements.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies

1.1 General information

Linteum (Uttlesford) Limited (the "company") is a company limited by shares incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is Unit 18 Riversway Business Village, Navigation Way, Ashton-On-Ribble, Preston, PR2 2YP.

The financial statements are presented in pounds sterling (£), which is the functional currency of the company. The financial statements are for the year ended 31 December 2018 (2017: 12 months ended 31 December 2017).

A summary of the company's principal accounting policies, which have been applied consistently throughout the current year and preceding period is set out below:

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise 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 2.

1.3 Exemptions

As permitted by FRS 102 section 1.12, the company has taken advantage of the following disclosure exemptions available under that standard:

- Statement of Financial Position – reconciliation of the number of shares outstanding at the beginning and at the end of the period (FRS 102 Paragraph 4.12(a)(iv)).
- Statement of Cash Flows – presentation of a Statement of Cash Flow and related disclosures (FRS 102 Paragraph 3.17(d) and Section 7).
- Financial instruments – see 1.12.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

1.4 Going Concern

The financial statements have been prepared on a going concern basis. The directors acknowledge that the company has a Shareholder's deficit of £315,546 (2017: £408,973), however this is as a result of the interest rate swap, which is significantly out of the money, being brought onto the balance sheet following the adoption of FRS 102. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the company's ability to meet its liabilities as they fall due. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the company will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the company to meet its liabilities as they fall due for payment. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.5 Turnover

Turnover arises from one class of business and arises solely within the United Kingdom.

1.6 Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Revenue from construction activity

Revenue from construction activity is recognised by reference to costs incurred in the period that are directly attributable to the construction of the asset. No attributable profit is recognised on the construction of the asset.

Facilities management services

Revenue from the provision of the facilities management services is recognised as contract activity progresses at a mark up on related costs to reflect the value of work performed. This markup is calculated as total facilities management income receivable over the concession, less all service costs and other operating costs payable over the concession.

Interest receivable on finance asset

Revenue in relation to the finance asset is recognised as finance income at a property specific rate of 7.97% per annum starting from when the facilities becomes operational.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

1.7 Finance costs

Debt issue costs are amortised in the profit and loss account as finance costs over the term of the debt at a constant rate on the carrying value of debt.

On completion of the construction phase, net finance costs, including interest payable on bank loans, are expensed to the profit and loss account during the operational phase of the project using the effective interest method.

1.8 Taxation

The tax charge for the year comprises of current and deferred tax.

Current or deferred tax is recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.9 Financial asset – contract debtor

As a Private Finance Initiative (PFI) contract, once the design and construction phase is completed, and certified as such, the contract will enter the operational phase. During the operational phase, the amounts receivable are treated as a long term contract debtor with a constant amount of the planned net revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the contract debtor is expected to be fully repaid. The remainder of the PFI unitary charge income is included in turnover in accordance with FRS 102. The company recognises income in respect of services it provides as it fulfils its contractual obligations in respect of those services.

1.10 Major maintenance replacement

Income is deferred to future periods, as described above in Financial asset – contract debtor accounting policy, to cover the future major maintenance expenditure, in order to match the element of income with the costs to which it relates. The turnover and costs of sale are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

1.11 Capital instruments

Share capital is included in shareholder's funds. Debt instruments, which contain an obligation to repay, are classified as liabilities. These liabilities are recognised as amortised cost net of any transaction costs. Interest is calculated using the effective interest rate method. Finance costs calculated in accordance with this policy are recognised in the statement of comprehensive income.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

1.12 Financial Instruments

The company has applied the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instrument Issues" of FRS102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Exemptions taken under FRS102 are as follows:

- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48 (a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;

1.13 Trade Debtors

Trade Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

1.14 Trade Creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

1.15 Financial liabilities and equity

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

1.16 Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

1.17 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the statement of comprehensive income unless hedge accounting is applied and the hedge is a cash flow hedge.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

1.17 Derivatives (continued)

To qualify for hedge accounting, the company documents the hedged item, the hedging instrument and the hedging relationship between them and the causes of hedge ineffectiveness.

The company elects to adopt hedge accounting for interest rate swaps where:

- The interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- The hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and
- The change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

1.18 Cash flow hedge – hedge of variable interest rate risk

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in profit or loss in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to profit or loss when the variable rate interest is recognised in profit or loss.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the company documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to profit or loss, either when the variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

1.19 Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

1.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

2 Judgments in applying accounting policies and key sources of estimation uncertainty

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. Management are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes judgements on the recoverability of the amounts recoverable on long term contracts, based on the receipt of the unitary fee in accordance with the contractual payment mechanisms contained in the project agreement with its client, Uttlesford District Council.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires an estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.
- The effective interest rate on senior debt instruments was calculated and is not deemed to be materially different to the interest rate applied in the financial statements and as such no adjustment has been made to the interest charge in the financial statements. This will continue to be monitored.

3 Operating profit

The average number of employees and directors during the year was 2 (2017: 2). No remuneration was paid directly by the company to the directors in respect of their services to the company (2017: £Nil).

The amount incurred by the company relating to the services of I B Balfour, N Covington and K J Simpson totalled £42,516 (2017: £40,958) which reflects the director's services fees charged to the company by the shareholder of the parent company. None of the directors received any defined benefit or defined contribution pension scheme contributions from the company.

The amount paid to the IPS was £77,580 (2017: £76,465), this includes £58,514 for National Non-Domestic Rates (2017: £58,066). Lifecycle costs were £136,479 (2017: £133,746) and the Management Service Agreement Fee for the year to December 2018 amounted to £53,003 (2017: £54,535).

The auditor's remuneration in respect of the audit of the company's financial statements was £8,100 (2017: £7,850) and £1,800 (2017: £1,200) in respect of tax compliance services during the year. In addition, the company bore £1,200 (2017: £1,200) in respect of the audit fee and £375 (2017: £325) in respect of tax compliance services for its parent company during the year, which was not recharged.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

4 Finance income/investment income

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Finance debtor imputed interest	358,029	362,714
Bank interest receivable	3,345	272
Bank compensation	-	1,500
	361,374	364,486

5 Finance costs

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Interest and fees payable on bank loans	278,187	289,058
Interest on amounts due to group undertakings	75,331	78,657
Bank and other charges	15,767	-
	369,285	367,715

Bank and other charges principally represent annual commitment fees on bank accounts and bank agency fees.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

6 Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current tax:		
UK corporation tax on profits for the year	69,431	6,104
Adjustment in respect of previous periods	-	-
Total current tax charge	69,431	6,104
Deferred tax:		
Origination and reversal of timing differences	(1,301)	45,403
Adjustments in respect of prior periods	-	(2)
Total deferred tax (credit)/charge	(1,301)	45,401
Tax on profit on ordinary activities	68,130	51,505

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

6 Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the year is higher than (2017: higher than) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Profit on ordinary activities before taxation	225,318	232,450
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	42,810	44,739
Effects of:		
Fixed asset timing differences	(6,672)	(4,023)
Expenses not deductible for tax purposes	30,350	18,301
Income not taxable for tax purposes	(1,251)	(754)
Adjustments to brought forward values	27,726	51,900
Adjustments to tax charge in respect of prior period-deferred tax	-	(2)
Deferred tax (charged)/credited directly to equity	(22,356)	(46,508)
Adjust closing deferred tax to average rate of 19% (2017: 19.25%)	6,339	9,903
Adjust opening deferred tax to average rate of 19% (2017: 19.25%)	(8,816)	(22,049)
Rounding		(2)
Tax for the year (note 6(a))	68,130	51,505

(c) Factors affecting future tax charges

At 31 December 2018 there were, subject to approval by HM Revenue and Customs, £Nil (2017: £Nil) of trade losses available to carry forward which will reduce the company's future liabilities to tax.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

7 Debtors

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Amounts falling due within one year:		
Contract debtor	168,000	108,389
Trade debtors	581	107,646
Prepayments and accrued income	111,128	191,699
	279,709	407,734
Amounts falling due after more than one year:		
Contract debtor	4,280,671	4,500,017
Deferred tax asset	53,879	74,934
	4,334,550	4,574,951

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

8 Creditors

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Amounts falling due within one year:		
Bank loans (note 9)	223,443	211,683
Trade payables	25,473	141,387
Corporation Tax	69,431	6,104
VAT	27,261	23,070
Amounts owed to parent company	19,551	21,702
Accruals and deferred income	87,681	89,741
	452,840	493,687
Amounts falling due after more than one year:		
Bank loans (note 9)	3,625,735	3,849,701
Subordinated loan (note 9)	607,323	607,323
Fair values of derivative contracts	1,052,142	1,183,646
Other creditors	149,858	74,929
	5,435,058	5,715,599

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

9 Loans and borrowings

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Bank loans	3,849,178	4,061,385
Subordinated loan	607,323	607,323
	4,456,501	4,668,708

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Maturity of debt		
Within one year	223,443	211,683
Between one and two years	241,083	223,443
Between two and five years	834,970	776,169
In more than five years	3,157,006	3,457,413
	4,456,501	4,668,708

Amounts not wholly repayable within 5 years which are repayable by instalments include a senior loan of £2,549,683, (2017: £2,850,090) provided by NIBC Bank NV. The senior loan has a floating rate of interest plus a margin. The floating interest rate has been swapped for a fixed rate of 5.59%. The senior debt repayments and interest are payable on a semi-annual basis with payments being due each March and September. The final loan repayment date is 29 March 2030.

Also included are subordinated loan notes of £607,323 (2017: £607,323) provided by the shareholder of the parent company. The subordinated debt interest is payable on a semi-annual basis with payments being due each March and September. Interest is payable at a rate of 12.5% per annum. The subordinated debt will be repayable in full in 2035.

The senior loan is secured by fixed and floating charges over the assets of the company.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

10 Called up share capital

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Allotted and fully paid		
50,000 (2017: 50,000) Ordinary share of £1	50,000	50,000

All shares are ordinary shares with voting rights as one share per one vote. Dividends are divided equally in proportion of the shareholding.

11 Reserves

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Profit and loss at 1 January	523,453	492,919
Profit for the financial year	157,188	180,945
Equity dividend	(172,909)	(150,411)
Profit and loss at 31 December	507,732	523,453

Reserves of the company represent the following:

Retained Earnings

Cumulative profit and loss net of distributions to owners.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

12 Hedging reserve

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
At 1 January	(982,426)	(1,209,496)
Change in fair value of interest rate swap	131,504	273,578
Deferred tax arising on interest rate swap	(22,356)	(46,508)
At 31 December	(873,278)	(982,426)

The hedging reserve represents the following:

Cash flow hedge reserve

Gains and losses arising on fixed to floating interest swaps which have been designated as hedges for hedge accounting purposes.

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

13 Deferred Tax

Tax included in statement of comprehensive income

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Origination and reversal of timing differences	22,356	46,508
Tax included in statement of comprehensive income	22,356	46,508
Provision for Deferred Tax:		
Accelerated capital allowances	156,152	159,905
Short term timing differences	(210,031)	(234,839)
Total deferred tax	(53,879)	(74,934)
Movement in provision:		
Provision at start of the year	(74,934)	(166,843)
Deferred tax (credited)/charged in the Profit and loss account	(1,301)	45,401
Deferred tax charged in the statement of comprehensive income	22,356	46,508
Provision at the end of the year	(53,879)	(74,934)

14 Dividends

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Dividends paid on equity capital	172,909	150,411

Linteum (Uttlesford) Limited

Notes to the financial statements for the year ended 31 December 2018

15 Related party disclosures

In line with the exemption conferred by section 33.11(b) of FRS 102, Linteum (Uttlesford) Limited has chosen not to disclose transactions with its parent undertaking on the basis that it is a wholly owned subsidiary where consolidated accounts are publicly available.

Related party transactions during the year consisted of long-term loan facilities and general operating costs with Aberdeen Infrastructure II Limited and are disclosed below stated net of value added tax (where applicable).

Aberdeen Infrastructure II Limited

- Charged £42,516 (2017: £40,958) in respect of director's services fees and management services. At the end of the year the company owed £Nil (2017: £10,325) to Aberdeen Infrastructure II Limited.
- At the end of the year £607,323 of subordinated loan notes were outstanding to Aberdeen Infrastructure II Limited (2017: £607,323).
- During the year the company incurred interest on the subordinated loan notes to Aberdeen Infrastructure II Limited amounting to £75,331 (2017: £78,657). At the year end interest of £19,551 (2017: £19,342) was due to Aberdeen Infrastructure II Limited.

16 Ultimate parent undertaking and controlling party

The company's immediate parent company is Linteum (Uttlesford) Holdings Limited, a company registered in England and Wales. Group accounts are prepared by Linteum (Uttlesford) Holdings Limited. These are available from its registered office: Unit 18 Riversway Business Village, Navigation Way, Ashton-On-Ribble, Preston, PR2 2YP. The Directors consider the ultimate controlling party is Aberdeen Infrastructure Partners II LP, an entity registered in England and Wales.