

Priorgate Limited

Annual report and financial statements
for the year ended 31 March 2015

Registration number: 4801068

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Priorgate Limited

Annual report and financial statements for the year ended 31 March 2015

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Priorgate Limited

Directors and advisors

Directors	R Little
	PPP Nominee Directors Limited
	R G Sparks
	J S McCabe
Company secretary	Semperian Secretary Services Limited
Registered office	Third Floor
	Broad Quay House
	Prince Street
	Bristol
	BS1 4DJ
Independent auditors	PricewaterhouseCoopers LLP
	Chartered Accountants and Statutory Auditors
	31 Great George Street
	Bristol
	BS1 5QD

Priorgate Limited

Strategic report for the year ended 31 March 2015

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

Results, principal activities and review of business

The company was formed as a special purpose vehicle to provide two serviced schools to Sheffield City Council, under a Private Finance Initiative ('PFI') contract, for the period to July 2030. The project met the target date for education services to commence in April 2005.

The company's immediate parent undertaking is Priorgate Holdings Limited, which is registered in England and Wales.

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, the financial position at the end of the year and the prospects for the future to be satisfactory.

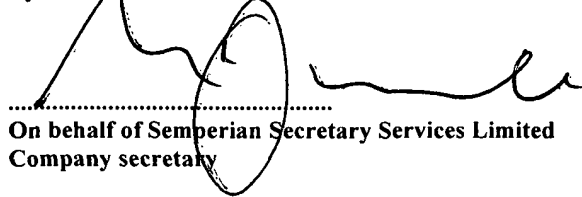
Principal risks and uncertainties

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. 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 key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

By order of the Board



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On behalf of Semperian Secretary Services Limited
Company secretary

24 JUN 2015

Priorgate Limited

Registration number: 4801068 Directors' report for the year ended 31 March 2015

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

Future developments

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

Dividends and transfers to reserves

A dividend of £594,719 (£59.47 per ordinary share) was paid during the year, (2014: £210,938, £21.09 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 and subordinated debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 10.

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.

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 Sheffield City Council and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Major maintenance replacement risk

The company takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

Directors of the company

The directors of the company during the year, and up to the date of signing the financial statements, are set out below:

R Little

H J W Pownall (resigned 11 February 2015)

PPP Nominee Directors Limited

R G Sparks (appointed 27 June 2014)

J S McCabe (appointed 11 February 2015)

Priorgate Limited

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

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and 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 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 apply them consistently;
- make judgements 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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, so far as the director is aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the director has taken all the 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 PwC are aware of that information.

Independent auditors

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

By order of the Board



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On behalf of Semperian Secretary Services Limited
Company secretary

24 JUN 2015

Priorgate Limited

Independent auditors' report to the members of Priorgate Limited

Report on the financial statements

Our opinion

In our opinion, Priorgate 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 2015 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

Priorgate Limited's financial statements comprise:

- the balance sheet as at 31 March 2015;
- the profit and loss account 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 applicable law and United Kingdom Accounting Standards (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, 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.

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.

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.

Priorgate Limited

Independent auditors' report to the members of Priorgate Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements 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 and financial statements 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.



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

6 July 2015

Priorgate Limited

Profit and loss account for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Turnover	1	1,668	1,662
Cost of sales		(1,347)	(1,360)
Gross profit		321	302
Administrative expenses		(118)	(114)
Operating profit	2	203	188
Interest receivable and similar income	3	1,634	1,677
Interest payable and similar charges	4	(1,332)	(1,385)
Profit on ordinary activities before taxation		505	480
Tax on profit on ordinary activities	5	(106)	(110)
Profit for the financial year	12	399	370

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

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

The movements on reserves are shown in note 12 to the financial statements.

Priorgate Limited

Balance sheet as at 31 March 2015

	Note	31 March 2015 £ '000	31 March 2014 £ '000
Current assets			
Debtors: amounts falling due within one year	7	1,031	976
Debtors: amounts falling due after more than one year	8	20,321	20,983
Cash at bank and in hand		1,850	1,609
		23,202	23,568
Creditors: amounts falling due within one year	9	(1,717)	(1,606)
Total assets less current liabilities		21,485	21,962
Creditors: amounts falling due after more than one year	10	(20,789)	(21,070)
Net assets		696	892
Capital and reserves			
Called up share capital	11	10	10
Profit and loss account	12	686	882
Total shareholders' funds	12	696	892

The financial statements on pages 7 to 16 were approved by the Board on1.8 JUN.2015..... and signed on its behalf by

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R G Sparks
Director

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015

1 Principal accounting policies

A summary of the company's principal accounting policies, which have been consistently applied, is set out below:

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting and financial reporting standards in the United Kingdom.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard (FRS) 5 – Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Where appropriate, income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

Finance debtor and interest receivable

In accordance with Financial Reporting Standard (FRS) 5 - Application Note F, the costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within the application note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance 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 finance debtor is expected to be fully repaid.

Debt issue costs

Debt issue costs directly incurred have been offset against the related debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt.

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Principal accounting policies (continued)

Interest rate swaps

Interest rate swaps are used to hedge the company's exposure to movements on interest rates. The interest payable on such swaps is accrued in the same way as interest arising on the related borrowings. Interest rate swaps are valued using market value, for disclosure purposes.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company's ultimate parent undertaking, Semperian PPP Investment Partners Holdings Limited, prepares a consolidated cash flow statement, in which the company's cash flows are included.

2 Operating profit

The company had no employees, other than the directors, during the year (2014: 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 £20,000 (2014: £20,000) to the company in respect of these services.

The audit fee in respect of the company was £7,000 for the year (2014: £7,000). Fees payable to the auditors for non-audit services were £nil (2014: £nil). The company also bore the audit fees of its immediate parent undertaking of £1,000 (2014: £2,000) during the year.

3 Interest receivable and similar income

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Imputed interest receivable on finance debtor	1,628	1,671
Interest receivable on bank deposits	6	6
	1,634	1,677

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

4 Interest payable and similar charges

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Interest payable on senior debt	1,007	1,059
Interest payable on subordinated debt	306	306
Other bank charges and similar fees	8	8
Amortisation of debt issue costs	11	12
	1,332	1,385

5 Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Current tax:		
Corporation tax charge	106	110
Tax charge on profit on ordinary activities	106	110

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

5 Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the year is the same (2014: the same) as the standard rate of corporation tax in the UK of 21% (2014: 23%).

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Profit on ordinary activities before taxation	505	480
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	106	110
Current tax charge for the year (note 5(a))	106	110

(c) Factors that may affect future tax charges

Finance Act 2013 which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015.

6 Dividends

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Dividends paid - £59.47 per share (2014: £21.09 per share)	595	211

7 Debtors: amounts falling due within one year

	31 March 2015 £ '000	31 March 2014 £ '000
Finance debtor	663	602
Prepayments and accrued income	368	374
	1,031	976

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

8 Debtors: amounts falling due after more than one year

	31 March 2015 £ '000	31 March 2014 £ '000
Finance debtor	20,321	20,983

9 Creditors: amounts falling due within one year

	31 March 2015 £ '000	31 March 2014 £ '000
Senior debt	1,105	669
Trade creditors	-	1
Accruals and deferred income	392	616
Amounts owed to group undertakings	127	127
Other taxation and social security	71	161
Group relief payable	22	32
	1,717	1,606

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

10 Creditors: amounts falling due after more than one year

(a) Debt

	31 March 2015 £ '000	31 March 2014 £ '000
Senior debt	16,353	16,688
Subordinated debt	2,257	2,257
Less: included in creditors falling due within one year	(1,105)	(669)
Less: unamortised issue costs	(89)	(100)
	17,416	18,176
Accruals and deferred income	3,373	2,894
	20,789	21,070

(b) Maturity of debt

	31 March 2015 £ '000	31 March 2014 £ '000
Less than one year	1,115	681
Between one and two years	841	770
Between two and five years	2,889	2,760
In more than five years	13,765	14,734
	18,610	18,945
Less: included in creditors falling due within one year	(1,105)	(669)
Less: unamortised issue costs	(89)	(100)
	17,416	18,176

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

10 Creditors: amounts falling due after more than one year (continued)

The senior debt is repayable in semi-annual instalments, by August 2028, with principal repayments having commenced in March 2006. The senior debt is secured by way of a first fixed and floating charge over the finance debtor asset. The only derivative financial instrument held is the interest rate swap which converts the variable interest rate, linked to LIBOR, to a fixed rate of 5.322%, plus margin. The fair value of this class of derivative financial instruments at 31 March 2015 is (£3,917,434) (2014: (£3,002,629)).

The subordinated loan note repayments commenced in March 2006. The repayment of the subordinated loan notes was accelerated in the year ended 31 March 2011 by the payment of £250,000 of the outstanding principal. As such the next repayment is not now due until the year ending March 2018. These loan notes are subordinated to the right of payment of senior debt providers with an interest rate fixed at 13.29% per annum.

All other amounts owed to or owed by group undertakings are interest free, unsecured and repayable on demand.

11 Called up share capital

	31 March 2015 £ '000	31 March 2014 £ '000
Allotted and fully paid		
10,000 Ordinary shares of £1 each	10	10

12 Reconciliation of movements in total shareholders' funds and reserves

	Share capital £ '000	Profit and loss account £ '000	Total Shareholders' funds £ '000
At 1 April 2013	10	723	733
Profit for the financial year	-	370	370
Dividends paid (note 6)	-	(211)	(211)
At 1 April 2014	10	882	892
Profit for the financial year	-	399	399
Dividends paid (note 6)	-	(595)	(595)
At 31 March 2015	10	686	696

Priorgate Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

13 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Priorgate Holdings Limited, registered in England and Wales.

The ultimate parent undertaking and controlling party is Semperian PPP Investment Partners Holdings Limited which is registered in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited.

Consolidated financial statements for Semperian PPP Investment Partners Holdings Limited can be obtained from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.

14 Related party transactions

As a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited, the company has taken advantage of the exemption under Financial Reporting Standard 8 - 'Related Party Disclosures' of the requirement to disclose transactions between it and other group companies.