BY Education (Barking) Limited

Annual report and financial statements

Registered number 04949258

31 December 2017

Contents

Strategic report

The directors present their strategic report for BY Education (Barking) Limited (the 'Company') for the year ended 31 December 2017.

Principal Activities

The Company's principal activity is the design, build, finance, operation and maintenance of new educational facilities for the Mayor and Burgesses of the London Borough of Barking and Dagenham under HM Government's Private Finance Initiative ('PFI'). The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Review and analysis of the business during the current year

The Company continued its principal activities throughout the current year.

The Company has entered into a Project Agreement with the London Borough of Barking and Dagenham, together with an associated construction and services contract, funding agreements and ancillary project agreements. The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain non-educational services within the Eastbury and Jo Richardson Community Schools for a term of 26 years and 5 months from the date of signing of the Project Agreement.

The results of the Company are set out in the attached financial statements.

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the London Borough of Barking and Dagenham in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider but the quantum is an indication of unsatisfactory performance. In the year ended 31 December 2017, deductions of £5,202 had been levied (2016: £290). The directors consider the performance for the year satisfactory (2016: satisfactory).

2. Financial Performance

The Company has modelled the anticipated financial outcome of the Project across its full term. The Company monitors actual financial performance against this anticipated performance. As at 31 December 2017, the Company's performance against this measure was satisfactory.

Position of the Company at the year end

The Company completed the construction phase on 31 August 2005 and began a 25 years concession period thereafter. In the opinion of the directors the operating phase of the Project is performing satisfactorily to the standards of the contract.

Development and financial performance during the year

As reported in the Company's statement of comprehensive income, revenue has increased from £1,940,000 in 2016 to £3,481,000 in 2017 as a result of a higher value of variations works billed in the year. The increase in revenue relating to these works is offset by a corresponding increase in costs.

The decreased margin recognised in the year is in line with the updated financial model. The profit for the year after taxation was £473,000 (2016: £481,000). The directors consider the results for the year satisfactory.

The statement of financial position shows that the carrying value of the Company's net liabilities at year end was £979,000 (2016: £2,164,000 net liabilities). This includes the swap liability of £7,101,000 (2016: £8,301,000). The reduction in net liabilities is attributable to the reduction in finance debtor, bank loan and swap liability following continued contractual repayments as the project progresses.

Strategic report *(continued)*

Principal risks and uncertainties

The London Borough of Barking and Dagenham is the sole client of the Company but the directors consider that no risk arises from such a small client base since the Secretary of State for Education has underwritten the Borough's obligations.

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

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 Company aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings. The Company has also entered into swap contracts covering all of the debt projected to be drawn down which hedges the Company's interest rate exposure on bank loans.

Credit risk
Although the Authority is the sole client of the Company, the directors are satisfied that the Authority will be able to fulfil its obligations under the Project Agreement as it is underwritten by the Secretary of State for Education.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial obligations, including the repayments of its borrowings which are provided on a long-term basis, have been structured to be met from the income which, under normal operating conditions, will be earned from its long-term concession contract with the Authority.

Future prospects

The Company will continue to support the Authority under the PFI scheme.

Approval

This report was approved by the board on 29th June 2018 and signed on its behalf by:

J Whittington

Director
By Education (Barking) Ltd
29/06/2018

1st Floor Templeback
10 Temple Back
Bristol
BS1 6LF

Directors' report
for the year ended 31 December 2017

The Directors present their annual report and the audited financial statements of BY Education (Barking) Limited for the year ended 31 December 2017.

Principal activity, key performance indicators, financial performance and principal risks and uncertainties during the year are mentioned in the Strategic Report.

Dividend
The Company paid an interim dividend of £235,000 during the year (2016: £417,000). The Directors propose to pay £nil as final dividend in respect of 2017 (2016: £nil).

Other information
An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

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

J Whittington
A Mills

Going Concern
Having made appropriate inquiries the directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements *(see note 1)*.

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

Political and charitable contributions
The Company made no political or charitable contributions during the current year (2016: £nil).

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

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

J Whittington

Director
By Education (Barking) Ltd
29/06/ 2018

1st Floor Templeback
10 Temple Back
Bristol
BS1 6LF

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; ~~and~~
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so, and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY EDUCATION (BARKING) LIMITED

Opinion

We have audited the financial statements of BY Education (Barking) Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of Total Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY EDUCATION (BARKING) LIMITED *(continued)*

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Richard Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

29/6/18

Statement of total comprehensive income
for year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	**3,481**	1,940
Cost of sales		**(2,920)**	(1,470)
Gross profit		**561**	470
Administrative expenses	4	**(392)**	(283)
Operating profit		**169**	187
Interest receivable and similar income	5	**2,670**	2,807
Interest payable and similar expenses	6	**(2,259)**	(2,393)
Profit before taxation		**580**	601
Tax on profit	7	**(107)**	(120)
Profit for the financial year		**473**	481

Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Profit/(loss) arising on cash flow hedges	14	**1,141**	(636)
Tax recognised in relation to change in fair value cash flow hedges	7	**(194)**	37
Other comprehensive income/ (loss) for the year		**947**	(599)
Total comprehensive income/ (loss) for the year		**1,420**	(118)

The notes on pages 10 to 22 form an integral part of these financial statements

All results are from continuing operations in the United Kingdom.

Statement of financial position
at 31 December 2017

	Note	**2017** **£000**	**2016** **£000**
Current assets			
Debtors (including £31,035,000 (2016: £32,585,000) due after more than one year)	*8*	**34,335**	36,050
Cash at bank and in hand		**4,154**	4,189
Total current assets		**38,489**	40,239
Current liabilities			
Creditors: amounts falling due within one year	*9*	**(3,263)**	(3,130)
Net current assets		**35,226**	37,109
Creditors: amounts falling due after more than one year	*10*	**(36,205)**	(39,273)
Net liabilities		**(979)**	(2,164)
Capital and reserves			
Called up share capital	*13*	**1**	1
Retained earnings		**4,470**	4,232
Cash flow hedge reserve		**(5,450)**	(6,397)
Equity shareholders' deficit		**(979)**	(2,164)

The notes on pages 10 to 22 form an integral part of these financial statements

These financial statements were approved by the board of directors on 29/06/18 and were signed on its behalf by:

J Whittington
Director

Company registered number: 04949258

Statement of changes in equity

	Called up share capital £000	Cash flow hedge reserve £000	Retained profit £000	Total equity £000
Balance at 1 January 2016	1	(5,798)	4,168	(1,629)
Total comprehensive income for the period				
Profit for the financial year	-	-	481	481
Other comprehensive loss	-	(599)	-	(599)
Total comprehensive (loss)/income for the period	-	(599)	481	(118)
Dividends	-	-	(417)	(417)
Total contributions by and distributions to owners	-	-	(417)	(417)
Balance at 31 December 2016	**1**	**(6,397)**	**4,232**	**(2,164)**

	Called up share capital £000	Cash flow hedge reserve £000	Retained profit £000	Total equity £000
Balance at 1 January 2017	1	(6,397)	4,232	(2,164)
Total comprehensive income for the period				
Profit for the financial year	-	-	473	473
Other comprehensive income	-	947	-	947
Total comprehensive income for the period	-	947	473	1,420
Dividends	-	-	(235)	(235)
Total contributions by and distributions to owners	-	-	(235)	(235)
Balance at 31 December 2017	**1**	**(5,450)**	**4,470**	**(979)**

The notes on pages 10 to 22 form an integral part of these financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

BY Education (Barking) Limited (the "Company") is a private company limited by shares and incorporated, registered and domiciled in England and Wales, in the UK. The address of the Company's registered office is 1st Floor Templebeck, 10 Temple Back, Bristol, BS1 6FL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest thousand.

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

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

As the Company is a wholly owned subsidiary of BY Education (Barking) Holdings Limited, the Company has taken advantage of the exemption contained in FRS 102.33 and has therefore not disclosed transactions or balances with wholly-owned entities which form part of the group.

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to December 2030. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis. This is considered reasonable on the grounds that the net liabilities position of £979,000 (2016: £2,164,000), is caused by the swap liability of £7,101,000 (2016: £8,301,000) recognised by the Company, which will unwind over the remaining project term and there are no plans to crystallise the liability early. The Company has considerable financial resources together with a long term contract with the Authority, which is underwritten by the Secretary of State for Education.

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

1.3 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance and debt service costs. This restricted cash balance, which is shown on the statement of financial position within the "cash at bank and in hand" balance, amounts to £2,956,000 at the year end (2016: £2,827,000).

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Other financial instruments

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

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

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The Company has entered into both Interest rate swaps and a RPI swap and designated these as hedges for highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in comprehensive income.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Impairment excluding deferred tax assets (continued)

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

1.6 Finance debtor and service income policy

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

As the Company entered into the contract prior to the date of transition to FRS 102, the Company has taken advantage of the exemption in section 35.10(i) of FRS 102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

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

1.7 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

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

1.8 Taxation

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

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

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

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

Notes *(continued)*

2 Turnover

	2017	2016
	£000	£000
Services revenue	**3,481**	1,940

3 Auditor's remuneration

	2017	2016
	£000	£000
Audit of these financial statements	**11**	10
Amounts receivable by the Company's auditor and its associates in respect of:		
Taxation compliance services	**4**	4

4 Staff costs and Directors' remuneration

The Company had no employees during the year (2016: none).

The Directors received no remuneration for their services during the year (2016: £nil). However, a total amount of £36,000 (2016: £35,000) was payable to Infrastructure Investments GP Limited for the services of directors.

5 Other interest receivable and similar income

	2017	2016
	£000	£000
Finance debtor interest	**2,670**	2,779
Bank interest receivable	**-**	28
	2,670	2,807

Notes *(continued)*

6 Interest payable and similar expenses

	2017 £000	2016 £000
Interest payable on bank loans and overdrafts	**1,757**	1,864
Interest on subordinated debt	**499**	528
Bank interest	**2**	-
Bank charges	**1**	1
	2,259	2,393

Of the above amount £499,000 *(2016: £528,000)* was payable to group undertakings.

7 Taxation

Total tax expense recognised in the statement of total comprehensive income and equity

	2016 £000	2016 £000
UK corporation tax		
Current tax	**112**	120
Prior year adjustment	**(5)**	-
Total current tax	**107**	120
Deferred tax (see note 12)		
Origination/reversal of timing differences	**194**	(37)
Total deferred tax	**194**	(37)
Total tax	**301**	83

	2017			2016		
	Current Tax £000	**Deferred Tax £000**	**Total Tax £000**	Current Tax £000	Deferred Tax £000	Total Tax £000
Recognised in income statement	**107**	**-**	**107**	120	-	**120**
Recognised in other comprehensive income	**-**	**194**	**194**	-	(37)	**(37)**
Total tax	**107**	**194**	**301**	**120**	**(37)**	**83**

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of the effective tax rate

	2017	2016
	£000	£000
Profit after taxation	**473**	481
Total tax expense	**107**	120
Profit excluding taxation	**580**	601
Taxation using the UK corporation tax rate of 19.25% (2016: 20%)	**112**	120
Prior year adjustment	**(5)**	-
Total tax charge	**107**	120

A reduction in the UK Corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

8 Debtors

	2017	2016
	£000	£000
Finance debtor	**32,585**	34,016
Trade debtors	**30**	16
Prepayments and accrued income	**19**	68
Other debtors	**49**	-
Corporation tax	**-**	46
Deferred tax	**1,116**	1,310
Other financial instruments (note 14)	**535**	594
	34,335	36,050

	2017	2016
Due within one year	**3,300**	3,465
Due after more than one year	**31,035**	32,585
	34,335	36,050

Notes *(continued)*

9 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Bank loans and overdrafts	1,885	1,864
Trade creditors	39	110
Accruals and deferred income	540	723
Unitary charge control account	560	254
Interest on subordinated debt	124	124
Corporation tax	48	-
Other creditors	67	55
	3,263	3,130

10 Creditors: amounts falling after more than one year

	2017	2016
	£000	£000
Bank loans and overdrafts	24,995	26,863
Subordinated debt	4,109	4,109
Other financial instruments (note 14)	7,101	8,301
	36,205	39,273

11 Interest-bearing loans and borrowings

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

Creditors falling due more than one year

	2017	2016
	£000	£000
Bank loan	24,995	26,863
Subordinated debt	4,109	4,109
	29,104	30,972

Creditors falling due within less than one year

	2017	2016
	£000	£000
Bank loan	1,885	1,864
	1,885	1,864

Included within Bank loan is an amount repayable after five years of £18,199,000 (2016: £19,955,000) and included within subordinated debt are amounts repayable after five years of £4,109,000 (2016: £4,109,000) respectively.

Notes *(continued)*

11 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017 £000	2016 £000
Bank loan	GBP	LIBOR + 0.9%	2029	Semi-annual	**26,880**	28,727
Subordinated debt	GBP	12.15%	2030	Semi-annual	**4,109**	4,109

The bank loan comprises a Senior Loan facility repayable in semi-annual instalments by March 2029. Interest charged on amounts drawn under the Senior Loan facility is based on the floating LIBOR rate, plus a margin of 0.9%. All amounts drawn under the facilities are secured by fixed and floating charges over the total assets of the Company.

12 Deferred tax asset

Deferred tax asset is attributable to the following:

	2017 £000	2016 £000
Deferred tax on revaluation of fair value of derivatives	**1,116**	1,310

Deferred tax asset is recognised on the revaluation of the SWAP derivatives on both the RPI and interest rate SWAP held by the Company. These are accounted for under cash flow hedges (see note 14).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

13 Capital and reserves

Share capital

	2017 £000	2016 £000
Authorised		
Equity: 1,000 (2016: 1,000) ordinary shares of £1 each	**1**	1
Allotted, called up and fully paid		
Equity: 1,000 (2016: 1,000) ordinary shares of £1 each	**1**	1

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

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes *(continued)*

14 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017	2016
	£000	£000
Assets measured at amortised cost		
Finance debtor	**32,585**	34,016
Trade debtors	**30**	16
	32,615	34,032
Assets measured at cost less impairment		
Cash and cash equivalents	**4,154**	4,189
	4,154	4,189
Assets measured at fair value through statement of comprehensive income		
RPI swaps	**535**	594
	535	594
Liabilities measured at amortised cost		
Trade and other payables	**(39)**	(110)
Bank loan	**(26,880)**	(28,727)
Subordinated debt	**(4,109)**	(4,109)
	(31,028)	(32,946)
Liabilities measured at fair value through statement of comprehensive income		
Interest rate swaps	**(7,101)**	(8,301)
	(7,101)	(8,301)

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate and RPI swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Notes *(continued)*

14 Financial instruments *(continued)*

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect the statement of comprehensive income:

2017

	Carrying Amount £000	**Within 1 year £000**	**Between 1-2 years £000**	**Between 2-5 years £000**	**5 years and over £000**
Interest rate swap	**(7,101)**	**(1,200)**	**(1,127)**	**(2,903)**	**(2,910)**
RPI swap	**535**	**(18)**	**(19)**	**(64)**	**(229)**
	(6,566)	**(1,218)**	**(1,146)**	**(2,967)**	**(3,139)**

2016

	Carrying Amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest rate swap	(8,301)	(1,285)	(1,200)	(3,141)	(3,799)
RPI swap	594	(16)	(18)	(60)	(252)
	(7,707)	(1,301)	(1,218)	(3,201)	(4,051)

The Company has entered into an interest rate swap agreement under the bank loan which expires in March 2029. A fixed rate of 5.26% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to LIBOR to the fixed rate above.

In addition the Company also entered into an RPI swap to manage its exposure to inflation in respect of the Unitary charge. The Unitary charge is subject to an annual inflationary change as part of the contract and to limit the impact on future profits this swap has been entered into. The swap fixes inflation at 2.54% and runs until the end of the concession.

Notes *(continued)*

14 Financial instruments *(continued)*

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2017 £000	2016 £000
Interest rate swap contract	(7,101)	(8,301)
RPI swap contract	535	594

15 Related parties

The Company is controlled by BY Education (Barking) Holdings Limited, the Company's immediate parent undertaking. The ultimate controlling party is Infrastructure Investments General Partner Limited (as General Partner of Infrastructure Investment Limited Partnership). As a wholly owned subsidiary of BY Education (Barking) 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.

The details of the related party transactions are detailed as follows:

	Transactions		Balance owed to at year end	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Directors' fees				
- Infrastructure Investments GP Ltd	**36**	35	**72**	-
Subordinated debt				
- Infrastructure Investments GP Ltd (capital)	**-**	-	**4,109**	4,109
- Infrastructure Investments GP Ltd (interest)	**499**	528	**124**	124
	535	563	**4,305**	4,233

16 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of BY Education (Barking) Holdings Limited incorporated in the United Kingdom, registered at 1st Floor Templebeck, 10 Temple Back, Bristol, BS1 6FL.

The ultimate parent company is InfraRed Capital Partners (Management) LLP, registered at 12 Charles II Street, London, SW1Y 4QU, incorporated in England and Wales.

The largest and smallest Group in which the results of the Company are consolidated is that headed by BY Education (Barking) Holdings Limited. The consolidated accounts of this Group is available to the public and may be obtained from the Company Secretary at 1st Floor Templebeck, 10 Temple Back, Bristol, BS1 6FL.

Notes *(continued)*

17 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

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

Finance Debtor

The company has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. Lifecycle costs are a significant proportion of future expenditure and they can be volatile in nature. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis.

Impairment of debtors

Management makes an estimate of the likely recoverable value of the 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 8 for the carrying value of the debtors.

Treatment and measurement of derivatives

The derivative financial instruments are recognised at fair value. The measurement of the 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.