

DERBY SCHOOL SOLUTIONS LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED
31ST DECEMBER 2016

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COMPANIES HOUSE

DERBY SCHOOL SOLUTIONS LIMITED

COMPANY INFORMATION

DIRECTORS

D G Lewis
J Whittington

SECRETARY

J-P Bonnet

REGISTERED OFFICE

Astral House
Imperial Way
Watford
Hertfordshire
WD24 4WW

REGISTERED NUMBER

5071716

AUDITOR

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

BANKERS

Barclays Bank PLC
One Churchill Place
London
E14 5HP

DERBY SCHOOL SOLUTIONS LIMITED

DIRECTORS' REPORT

The Directors submit their report to the members, together with the audited financial statements for the year ended 31st December 2016.

Principal activity and review of the business

Derby School Solutions Limited is a wholly owned subsidiary of Derby School Solutions (Holdings) Limited.

On 23rd December 2004, Derby School Solutions Limited entered into a long-term contract under the Private Finance Initiative with Derby City Council to design, build, finance, operate and manage five replacement primary and secondary schools in the city of Derby.

The company is now engaged exclusively in the operation of the schools and the provision of support services functions over the concession period of 25 years. In return the company is entitled to receive concession revenue over the concession period, following the completion of the construction phase.

Business and financial risks

The company faces the risk of the deduction of the unitary payment from Derby City Council (i.e. the concession revenue) based on the lack of availability of the contracted services and/or poor performance of these services. The company is able to mitigate these risks because these deductions are generally passed down to the relevant subcontractors; consequently, these risks ultimately lie with the service providers. Therefore, business risks are limited due to the contract between the Company and the support services providers.

The significant use of non-recourse debt for financing assists the Company in matching the cash flows and the financial risk management of this PFI project. Furthermore, the bulk of the debt is fixed rate achieved through interest rate SWAPS.

Results and Dividends

The profit for the year amounted to £279,000 (2015: £287,000 profit). No dividends were paid during the year (2015: £nil). The directors do not propose the payment of a final dividend.

Directors

The current directors of the Company are:

John Whittington

David Geoffrey Lewis

No other directors have served during, or subsequent to the year.

Strategic report exemption

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemptions. Accordingly, no Strategic Report has been prepared.

Indemnity provisions

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

DERBY SCHOOL SOLUTIONS LIMITED

DIRECTORS' REPORT (continued)

Going Concern

The directors have adopted the going concern basis in the accounts and consider such basis to be appropriate. In reaching this conclusion they have considered the expected cash inflows and outflows for the company over the remaining life of the project.

Disclosure of information to the 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 steps that he ought to have taken as a director to make himself 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.

The Report of the Directors was approved by the Board on 29th June 2017 and signed on its behalf by:



D G Lewis
Director

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

The directors are responsible for preparing 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 judgments and 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 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 AUDITORS REPORT
TO THE MEMBERS OF DERBY SCHOOL SOLUTIONS LIMITED

We have audited the financial statements of Derby School Solutions Limited for the year ended 31st December 2016, set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

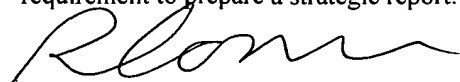
In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Richard Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square, Britannia Quay
Cardiff. CF10 4AX
Date: 30 June 2017

DERBY SCHOOL SOLUTIONS LIMITED

PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	2016	2015
		£000	£000
Turnover		2,624	2,701
Cost of sales		(1,870)	(2,040)
Gross profit		754	661
Administrative expenses		(400)	(291)
Operating profit	3	354	370
Interest receivable and similar income	5	1,337	1,387
Interest payable and similar expenses	5	(1,359)	(1,398)
Profit before taxation		332	359
Tax credit/(charge) on profit	6	(53)	(72)
Profit for the financial year		279	287
Other Comprehensive Income		2016 £000	2015 £000
Items that will, or may be, classified to profit or loss			
(Loss)/Profit arising on changes in fair value of cashflow hedges		(475)	664
Tax recognised in relation to change in fair value of cashflow hedges		(37)	(133)
Other comprehensive (expense)/income for the year		(512)	531
Total comprehensive (expense)/income for the year		(233)	818

All results arise from continuing operations.

The notes on pages 9 to 20 form an integral part to these financial statements.

STATEMENT OF CHANGES IN EQUITY

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

- 7 -

DERBY SCHOOL SOLUTIONS LIMITED

BALANCE SHEET
AT 31ST DECEMBER 2016

	Notes	2016 £000	2015 £000
Current assets			
Debtors: due within one year	7	1,126	1,079
Debtors: due after one year	7	13,750	15,229
Cash at bank and in hand		5,897	6,453
		<hr/>	<hr/>
		20,773	22,761
Creditors: amounts falling due within one year	8	(2,376)	(3,105)
		<hr/>	<hr/>
Net current assets		18,397	19,656
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	9	(22,032)	(23,058)
		<hr/>	<hr/>
Net liabilities		(3,635)	(3,402)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	1	1
Cashflow hedge reserve		(3,623)	(3,111)
Profit and loss account		(13)	(292)
		<hr/>	<hr/>
Shareholders' deficit		(3,635)	(3,402)
		<hr/>	<hr/>

The notes on pages 9 to 20 form an integral part of these financial statements.

The financial statements were approved by the Board on 29th June 2017 and signed on its behalf by:



D G Lewis
Director
Company Registered Number 5071716

1 Accounting Policies

Derby School Solutions Limited (the "Company") is a company limited by shares and incorporated and domiciled in the England in the UK.

Basis of Preparation

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 amendments to FRS102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

FRS 102 granted certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have continued to be taken in these financial statements:

- Service continued to be concession arrangements - The Company entered into its Service concession arrangement before the date of transition to FRS102. Therefore, its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS102.

The Company's parent undertaking, Derby School Solutions (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Derby School Solutions (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 exemption available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes

As the consolidated financial statements of Derby School Solutions (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS102 available in respect of the following disclosures:

- The disclosures required by FRS102.11 *Basic Financial Instruments* and FRS102.12 *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.

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 Accounting Policies (continued)

1.2 Going Concern

The directors have adopted the going concern basis in the accounts and consider such basis to be appropriate. In reaching this conclusion they have considered the expected cash inflows and outflows for the Company over the remaining life of the project.

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 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 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 for 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 borrowing 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.

1 Accounting Policies (continued)

1.5 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 an interest rate swap and designated this as a hedge for highly probable forecast transactions. 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 profit or loss.

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.

1.6 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.

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 Accounting Policies (continued)

1.7 Expense

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance charges on loans payable.

Other interest receivable and similar income include interest receivable on financing.

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

1.8 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 FRS 102 section 34C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

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.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 balance sheet 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 balance sheet date. Deferred tax balances are not discounted.

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

2.	Revenue	2016 £000	2015 £000
	The revenue is derived as follows:		
	Service fee	1,870	2,040
	Availability income	754	661
		<u>2,624</u>	<u>2,701</u>
3.	Operating profit	2016 £000	2015 £000
	This is stated after charging		
	Auditor's remuneration: audit of these financial statements	13	13
		<u>13</u>	<u>13</u>
4.	Employees		
	The Company had no employees during the current or previous year. None of the directors received remuneration relating to their services as directors of Derby School Solutions Limited during the current or previous year.		
5.	Interest receivable/(payable)	2016 £000	2015 £000
	Interest receivable		
	Bank interest	30	34
	Finance debtor interest	1,307	1,353
		<u>1,337</u>	<u>1,387</u>
	Interest payable		
	Bank interest	(968)	(1,039)
	Other interest	(378)	(345)
	Amortised cost of financial debts	(13)	(14)
		<u>(1,359)</u>	<u>(1,398)</u>

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

6. **Taxation**

Total tax expense recognised in the profit and loss account,
other comprehensive income and equity

	2016 £000	2015 £000
Current tax		
Current tax on income for the period	41	7
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	41	7
	<hr/>	<hr/>
Deferred taxation :		
Changes in tax rates	7	4
Origination and reversal of timing differences	42	194
	<hr/>	<hr/>
Total deferred tax	49	198
	<hr/>	<hr/>
Total tax	90	205
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional 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. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

	£000 Current tax	2016 £000 Deferred tax	£000 Total tax	£000 Current tax	2015 £000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	41	12	53	7	65	72
Recognised in other comprehensive income	-	37	37	-	133	133
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	41	49	90	7	198	205
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

6. **Taxation** (continued)

Analysis of total tax recognised in profit and loss	2016 £000	2015 £000
UK Corporation Tax	53	72
Total tax recognised in profit and loss	53	72
Reconciliation of effective tax rate	2016 £000	2015 £000
Profit before taxation	332	359
Theoretical tax at UK Corporation tax rate 20.00% (2015 : 20.25%)	66	73
Effects of :		
Utilisation of losses brought forward	(17)	(58)
FRS102 adjustment	(8)	(8)
Reduction in tax rate of deferred tax balance	12	65
Total tax expense included in profit or loss	53	72

7. **Debtors:** due within one year

	2016 £000	2015 £000
Finance debtor	1,107	1,061
Prepayments and accrued income	19	18
	1,126	1,079
Debtors: due after one year	2016 £000	2015 £000
Finance debtor	12,966	14,396
Deferred tax asset	784	833
	13,750	15,229

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

7. Debtors (continued)

Deferred tax asset	2016	2015
	£000	£000
Deferred tax attributable to the following:		
Group		
On revaluation of fair value of derivatives	789	822
Other timing differences	(5)	(5)
Tax losses	-	16
	<hr/>	<hr/>
	784	833
	<hr/>	<hr/>

Deferred tax asset (continued)

	1st January 2015	Recognised in income	Recognised in Other Comprehensive Income	31st December 2015
	£000	£000	£000	£000
Movement in deferred tax during the prior year				
Deferred tax on revaluation of fair value of derivatives	962	(7)	(133)	822
Other timing differences	(6)	1	-	(5)
Tax losses	75	(59)	-	16
	<hr/>	<hr/>	<hr/>	<hr/>
	1,031	(65)	(133)	833
	<hr/>	<hr/>	<hr/>	<hr/>
	1st January 2016	Recognised in income	Recognised in Other Comprehensive Income	31st December 2016
	£000	£000	£000	£000
Movement in deferred tax during the year				
Deferred tax on revaluation of fair value of derivatives	822	4	(37)	789
Other timing differences	(5)	-	-	(5)
Tax losses	16	(16)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	833	(12)	(37)	784
	<hr/>	<hr/>	<hr/>	<hr/>

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

8. **Creditors: amounts falling due within one year**

	2016 £000	2015 £000
Taxation - VAT	123	161
Corporation tax	41	7
Bank loans and overdrafts	1,300	1,447
Subordinated loans	120	866
Accruals including accrued interest on loans	325	487
Other creditors	467	137
	<hr/>	<hr/>
	2,376	3,105
	<hr/>	<hr/>

9. **Creditors: amounts falling due after more than one year**

	2016 £000	2015 £000
Bank loans and overdraft	15,483	16,909
Subordinated loans	1,906	2,037
Other financial liabilities (see note 10)	4,643	4,112
	<hr/>	<hr/>
	22,032	23,058
	<hr/>	<hr/>

9. **Creditors: amounts falling due after more than one year (continued)**

Included within bank loans are arrangement fees of £186,000 (2015: £199,000) which is to be written off to the profit and loss account over the period of the loan.

The Company is committed to senior debt facilities of £31,838,000. This bank loan was drawn down under a non-recourse financing agreement and will be repayable over 25 years following financial close in six monthly instalments commencing 31 March 2009, at a rate of 4.885% per annum. The balance on the subordinated and bank loans may be analysed by maturity as follows:

	2016 £000	2015 £000
Repayable		
within one year	1,420	2,313
between one and two years	1,134	1,403
between two and five years	3,110	3,123
after more than five years	13,145	14,420
	<hr/>	<hr/>
	18,809	21,259
	<hr/>	<hr/>

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

10. **Share capital**

	Allotted, called up and fully paid	
	2016 £000	2015 £000
1,000 (2015: 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.

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

11. Financial instruments

(a) Carrying amount of financial instruments

The carrying amount of the financial assets and liabilities include:

	2016 £000	2015 £000
Assets measured at amortised cost		
Finance debtor	14,073	15,457
Trade and other debtors	803	909
	<hr/> 14,876	<hr/> 16,366
Assets measured at cost less impairment		
Cash and cash equivalents	<hr/> 5,897	<hr/> 6,453
Liabilities measured at amortised cost		
Trade and other payables	915	785
Bank loan	16,783	18,356
Subordinated debt	2,026	2,903
	<hr/> 19,724	<hr/> 22,044

(b) Financial instrument measured at fair value

Derivative financial instruments

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

Hedge accounting

	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	<hr/> 4,643	<hr/> 755	<hr/> 687	<hr/> 1,788	<hr/> 1,413

	2015				
	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	<hr/> 4,112	<hr/> 743	<hr/> 595	<hr/> 1,283	<hr/> 1,491

	2016 £000	2015 £000
Liabilities measured at fair value through hedge accounting		
Interest rate swaps	4,643	4,112

The Company has entered into an interest rate swaps under the bank loan which expires in March 2030 and June 2030. Fixed rates of 5.23% and 4.885% apply to all amounts drawn down under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to LIBOR to the fixed rates above.

DERBY SCHOOL SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31ST DECEMBER 2016

12. **Capital commitments**

The Company had no capital commitments at 31st December 2016 or 31st December 2015.

13. **Related party transactions**

The Company is a wholly owned subsidiary of Derby School Solutions (Holdings) Limited (DSSHL) which in turn is a wholly owned subsidiary of Infrastructure Investments Holdings Limited (IIHL).

IIHL has a subordinated loan balance of £2,027,000(2015: £2,903,000) with the Company.

During the year the company paid subordinated debt interest of £417,581 (2015: £416,440) and Directors Fees of £100,000 (2015: £51,979).

14. **Ultimate parent company**

The Company's immediate parent undertaking is Derby School Solutions (Holdings) Limited, which heads the smallest and largest group in which the results of the company are consolidated. The company's ultimate parent entity at the year end was HICL Infrastructure Company Limited whose registered offices changed during the year.

The registered offices of Derby School Solutions (Holdings) Limited are: -
Astral House, Imperial Way, Watford, Hertfordshire, WD24 4WW.

The registered offices of HICL Infrastructure Company Limited are: -
12 Charles 11 Street, London, SW1Y 4QU