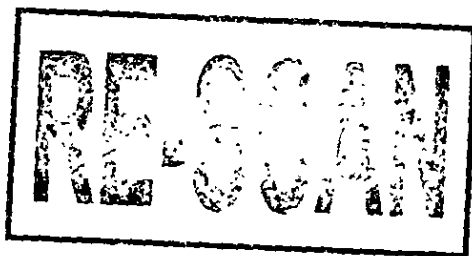


PFI Infrastructure Finance Limited
Annual Report and Financial Statements
31 December 2015



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PFI Infrastructure Finance Limited
Annual Report and Financial Statements
Year Ended 31 December 2015

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PFI Infrastructure Finance Limited

Officers and Professional Advisers

The board of directors	The PFI Infrastructure Company plc (Resigned 17 March 2016) BIIF Corporate Services Limited (Resigned 17 March 2016) John Cavill (Appointed 4 September 2015) Jonathan Doberman (Appointed 17 March 2016) Nestor Castillo (Resigned 4 September 2015)
Company secretary	Infrastructure Managers Limited
Registered office	Cannon Place 78 Cannon Street London EC4N 6AF
Auditor	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ
Solicitors	Maclay Murray & Spens LLP 1 George Square Glasgow G2 1AL

PFI Infrastructure Finance Limited

Strategic Report

Year Ended 31 December 2015

The directors present their strategic report on the Company for the year ended 31 December 2015.

Principal Objectives and Strategies

The principal objective of the Company is to operate as a holding company for its investments.

Review of the Business

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance are given in note 20.

The profit for the year, after taxation, amounted to £6,613,643 (2014: £5,086,953).

The profit for the year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Future Developments

The directors intend for the Company to continue to hold its interests in the investments.

Key Performance Indicators

The performance of the Company's investments from a cash perspective is assessed six monthly on a group basis by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company's investments have been performing well and have been compliant with the covenants laid out in the loan agreements.

Principal Risks and Uncertainties

In the director's view the Company has no significant risks or uncertainties.

This report was approved by the board of directors on 28 June 2016 and signed on behalf of the board by:



Jonathan Doberman
Director

PFI Infrastructure Finance Limited

Directors' Report

Year Ended 31 December 2015

The directors present their report and the financial statements of the Company for the year ended 31 December 2015.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

John Cavill	(Appointed 4 September 2015)
Jonathan Doberman	(Appointed 17 March 2016)
Nestor Castillo	(Resigned 4 September 2015)
The PFI Infrastructure Company plc	(Resigned 17 March 2016)
BIIF Corporate Services Limited	(Resigned 17 March 2016)

Dividends

The directors do not recommend the payment of a dividend.

This report was approved by the board of directors on 28 June 2016 and signed on behalf of the board by:



Infrastructure Managers Limited
Company Secretary

PFI Infrastructure Finance Limited

Directors' Responsibilities Statement

Year Ended 31 December 2015

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

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

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 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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

The Directors' Responsibilities were approved by the board on 28 June 2016 and signed on its behalf by:



Jonathan Doberman

Director

PFI Infrastructure Finance Limited

Independent Auditors' Report to the Members of PFI Infrastructure Finance Limited

Year Ended 31 December 2015

Our Opinion

In our opinion, PFI Infrastructure Finance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 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

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

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

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

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 period for which the financial statements are prepared is consistent with the financial statements.

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.

PFI Infrastructure Finance Limited

Independent Auditors' Report to the Members of PFI Infrastructure Finance Limited *(continued)*

Year Ended 31 December 2015

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.

Respective Responsibilities of Directors and Auditor

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.

Scope of the Audit of the Financial Statements

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.

PFI Infrastructure Finance Limited

Independent Auditors' Report to the Members of PFI Infrastructure Finance Limited *(continued)*

Year Ended 31 December 2015

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

28 June 2016

PFI Infrastructure Finance Limited

Statement of Comprehensive Income

Year Ended 31 December 2015

	Note	2015 £	2014 £
Administrative expenses		<u>(138,156)</u>	<u>(115,129)</u>
Operating loss		(138,156)	(115,129)
Income from shares in Group undertakings	6	3,521,419	1,946,300
Income from participating interests	7	477,095	553,792
Other interest receivable and similar income	8	7,587,336	7,568,151
Interest payable and similar charges	9	(4,166,858)	(4,157,945)
Profit on ordinary activities before taxation		7,280,836	5,795,169
Tax on profit on ordinary activities	10	(667,193)	(708,216)
Profit for the financial year and total comprehensive income		<u>6,613,643</u>	<u>5,086,953</u>

All the activities of the Company are from continuing operations.

The notes on pages 11 to 19 form part of these financial statements.

PFI Infrastructure Finance Limited

Statement of Financial Position

As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Investments	11	65,499,016	64,014,601
Current assets			
Debtors: due within one year	12	104,984,155	95,004,705
Cash at bank and in hand		3,805	3,877
		<u>104,987,960</u>	<u>95,008,582</u>
Creditors: amounts falling due within one year	13	<u>(53,455,166)</u>	<u>(48,605,016)</u>
Net current assets		<u>51,532,794</u>	<u>46,403,566</u>
Total assets less current liabilities		<u>117,031,810</u>	<u>110,418,167</u>
Creditors: Amounts falling due after more than one year	14	<u>(48,266,000)</u>	<u>(48,266,000)</u>
Net assets		<u>68,765,810</u>	<u>62,152,167</u>
Capital and reserves			
Called up share capital	16	1,931,000	1,931,000
Share premium account	17	21,703,000	21,703,000
Retained earnings	17	45,131,810	38,518,167
Shareholders' funds		<u>68,765,810</u>	<u>62,152,167</u>

These financial statements were approved by the board of directors and authorised for issue on 28 June 2016, and are signed on behalf of the board by:



Jonathan Doberman
Director

Company registration number: 05092397

The notes on pages 11 to 19 form part of these financial statements.

PFI Infrastructure Finance Limited

Statement of Changes in Equity

Year Ended 31 December 2015

	Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2014	1,931,000	21,703,000	33,431,214	57,065,214
Profit for the year			5,086,953	5,086,953
Total comprehensive income for the year	—	—	5,086,953	5,086,953
At 31 December 2014	1,931,000	21,703,000	38,518,167	62,152,167
Profit for the year			6,613,643	6,613,643
Total comprehensive income for the year	—	—	6,613,643	6,613,643
At 31 December 2015	<u>1,931,000</u>	<u>21,703,000</u>	<u>45,131,810</u>	<u>68,765,810</u>

The notes on pages 11 to 19 form part of these financial statements.

PFI Infrastructure Finance Limited

Notes to the Financial Statements

Year Ended 31 December 2015

1. Statement of compliance

The individual financial statements of PFI Infrastructure Finance Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. General Information

PFI Infrastructure Finance Limited ('the Company') is incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The principal activity of the Company during the year was as an investment holding company.

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

3. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

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

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 20.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BIIF Holdco Limited which can be obtained from Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) Disclosures in respect of financial instruments have not been presented.

Consolidation

The Company is a wholly-owned subsidiary of BIIF Holdco Limited, a company incorporated in the EEA. In accordance with Section 400 of the Companies Act 2006, the Company is not required to produce, and has not published, consolidated accounts.

PFI Infrastructure Finance Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses. Investments include the cost of a premium paid to acquire the rights to advance subordinated loans to group undertakings less any provision for any diminution in value.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

PFI Infrastructure Finance Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. *An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.*

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

4. Auditors' remuneration

The audit fee of £7,068 (2014: £6,492) was borne by a related entity.

5. Particulars of employees and directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2014: nil). The directors did not receive any remuneration from the Company during the year (2014: £nil).

PFI Infrastructure Finance Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

6. Income from shares in Group undertakings

	2015 £	2014 £
Income from Group undertakings	<u>3,521,419</u>	<u>1,946,300</u>

7. Income from participating interests

	2015 £	2014 £
Income from participating interests	<u>477,095</u>	<u>553,792</u>

8. Other interest receivable and similar income

	2015 £	2014 £
Interest on cash and cash equivalents	1,926	841
Interest from Group undertakings	<u>7,585,410</u>	<u>7,567,310</u>
	<u>7,587,336</u>	<u>7,568,151</u>

9. Interest payable and similar charges

	2015 £	2014 £
Interest due to Group undertakings	<u>4,166,858</u>	<u>4,157,945</u>

10. Tax on profit on ordinary activities

Major components of tax expense

	2015 £	2014 £
Current tax:		
UK current tax expense	<u>667,193</u>	<u>708,216</u>
Tax on profit on ordinary activities	<u>667,193</u>	<u>708,216</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%).

	2015 £	2014 £
Profit on ordinary activities before taxation	<u>7,280,836</u>	<u>5,795,169</u>
Profit on ordinary activities by rate of tax	<u>1,474,120</u>	<u>1,245,565</u>
Effect of expenses not deductible for tax purposes	2,635	–
Income not assessable for taxation	<u>(809,562)</u>	<u>(537,349)</u>
Tax on profit on ordinary activities	<u>667,193</u>	<u>708,216</u>

PFI Infrastructure Finance Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

10. Tax on profit on ordinary activities *(continued)*

Factors that may affect future tax expense

On 26 October 2015, a reduction in the UK corporation tax rate from 20% to 18% was substantively enacted. The reduction is to take effect in two stages from 1 April 2017 (19%) and then from 1 April 2020 (18%).

In his Budget speech on 16 March 2016 the Chancellor of the Exchequer proposed that the above UK corporation tax rate of 18% effective from 1 April 2020 be further reduced to 17%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

11. Investments

	Shares in Group undertakings £	Loans to Group undertakings £	Shares in participating interests £	Loans to participating interests £	Total £
Cost					
At 1 Jan 2015	16,072,722	33,046,877	2,916,571	11,978,431	64,014,601
Additions	1,650,000	5,562	—	—	1,655,562
Repayments	—	(82,846)	—	(88,301)	(171,147)
Transfers	(18,521)	18,521	—	—	—
At 31 Dec 2015	17,704,201	32,988,114	2,916,571	11,890,130	65,499,016
Impairment					
At 1 Jan 2015 and 31 Dec 2015	—	—	—	—	—
Carrying amount					
At 31 Dec 2015	17,704,201	32,988,114	2,916,571	11,890,130	65,499,016
At 31 Dec 2014	16,072,722	33,046,877	2,916,571	11,978,431	64,014,601

During the year the Company invested a further £1,650,000 in ABC Schools (Holdings) Limited.

Loans to Group undertakings and Loans to participating interests are unsecured and would rank above ordinary shareholders but below all other creditors of the entity. The loans have repayment profiles varying from on demand to scheduled instalments maturing between September 2025 and August 2039 and receive interest between the range of 4.9% and 15.0%.

PFI Infrastructure Finance Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

11. Investments *(continued)*

Subsidiaries, associates and other investments

The Company has investments in the following companies:

Subsidiaries

ABC Schools (Holdings) Limited
ABC Schools Limited
Bannockburn Group Limited
Bannockburn Holdings Limited
Bannockburn Homes Limited
CH Bolton Limited
CH Holton (Holdings) Limited
Forfar Healthcare (Holdings) Limited
Forfar Healthcare Limited
KE Project Limited
LH Project Limited
Lochgilphead Healthcare Services (Holdings) Limited
Lochgilphead Healthcare Services Limited
Newschools (Penweddig) Holdings Limited
Newschools (Penweddig) Limited
PIF Vulcans Lane Limited
PIF West Cumbria Limited
Salisbury Healthcare Facilities (Holdings) Limited
Salisbury Healthcare Facilities Limited
Tiverton Healthcare Facilities (Holdings) Limited
Tiverton Healthcare Facilities Limited
VLE Holdings Limited
Vulcans Lane Estates Limited
Wansbeck Healthcare Facilities (Holdings) Limited
WCEM Holdings Limited
West Cumbria Estates Management Limited

PFI Infrastructure Finance Limited

Notes to the Financial Statements (continued)

Year Ended 31 December 2015

11. Investments (continued)

	Investment Holding %	Class of shares
<i>Joint Ventures and Associates</i>		
PPP Services (North Ayrshire) Holdings Limited	30	Ordinary
PPP Services (North Ayrshire) Limited	30	Ordinary
FCC (East Ayrshire) Holdings Limited	20	Ordinary
FCC (East Ayrshire) Limited	20	Ordinary
Sewell Education (York) Holdings Limited	50	Ordinary
Sewell Education (York) Limited	50	Ordinary
Stirling Gateway HC Limited	50	Ordinary
Stirling Gateway Limited	50	Ordinary
Stobhill Healthcare Facilities (Holdings) Limited	60	Ordinary
Stobhill Healthcare Facilities Limited	60	Ordinary
Emblem Schools (Holdings) Limited	30	Ordinary
Emblem Schools Limited	30	Ordinary
ESP (Holdings) Limited	17	Ordinary
The Edinburgh Schools Partnership Limited	17	Ordinary
Lighting for Staffordshire Holdings Limited	40	Ordinary
Lighting for Staffordshire Limited	40	Ordinary
Midlothian Schools (Debtco) Limited	50	Ordinary
Midlothian Schools (Holdings) Limited	50	Ordinary
Midlothian Schools Limited	50	Ordinary

The carrying value of the investment is supported by the net assets of the company.

12. Debtors

Debtors falling due within one year are as follows:

	2015 £	2014 £
Amounts owed by Group undertakings	<u>104,984,155</u>	<u>95,004,705</u>

The amounts owed by Group undertakings include trading balances of £64,353,158 (2014: £56,686,213) that are not interest bearing and are repayable on demand, a loan balance of £26,003,452 (2014: £26,003,452) which bears interest at 8.4% and is repayable on demand and accrued interest of £14,627,545 (2014: £12,315,040).

13. Creditors: amounts falling due within one year

	2015 £	2014 £
Amounts owed to Group undertakings	<u>53,388,613</u>	<u>48,421,362</u>
Accruals and deferred income	<u>66,553</u>	<u>183,654</u>
	<u>53,455,166</u>	<u>48,605,016</u>

The amounts owed to Group undertakings includes trading balances totalling £49,661,693 (2014: £45,361,635), which are non-interest bearing and repayable on demand, and group relief balances of £3,726,920 (2014: £3,059,727).

PFI Infrastructure Finance Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

14. Creditors: amounts falling due after more than one year

	2015 £	2014 £
Amounts owed to Group undertakings	<u>48,266,000</u>	<u>48,266,000</u>

The Company has a loan of £48,266,000 from its parent entity which bears interest at 8.4% and falls due for repayment in 2034.

15. Financial instruments

The intercompany borrowing and receivables are both held at amortised cost.

16. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £0.10 each	<u>19,310,000</u>	<u>1,931,000</u>	<u>19,310,000</u>	<u>1,931,000</u>

17. Reserves

Retained earnings - This reserve records retained earnings and accumulated losses.

18. Related party transactions

The Company is wholly owned by The PFI Infrastructure Company plc and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

The following disclosures are with entities in the group that are not wholly owned:

	Interest Received £	Balance Outstanding £	Dividends £
2015			
Lochgilphead Healthcare Services (Holdings) Limited	159,795	873,859	245,850
FCC (East Ayrshire) Holdings Limited	157,418	1,648,665	85,400
Midlothian Schools (Debtco) Limited	188,068	1,382,854	–
Stirling Gateway HC Limited	446,672	3,308,685	223,795
Stobhill Healthcare Facilities (Holdings) Limited	159,795	1,205,996	72,000
Sewell Education (York) Limited	–	–	118,500
The Edinburgh Schools Partnership (Holdings) Limited	32,728	206,109	146,839
Emblem Schools Holdings Limited	231,724	1,681,149	–
PPP Services (North Ayrshire) Holdings Limited	336,569	2,303,803	54,000
Lighting for Staffordshire Holdings Limited	21,888	152,868	66,400

PFI Infrastructure Finance Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

Related party transactions *(continued)*

	Interest Received £	Balance Outstanding £	Dividends £
2014			
Lochgilphead Healthcare Services (Holdings) Limited	113,602	873,859	242,000
FCC (East Ayrshire) Holdings Limited	149,638	1,659,914	77,000
Midlothian Schools (Debtco) Limited	188,068	1,382,854	–
Stirling Gateway HC Limited	446,672	3,308,685	–
Stobhill Healthcare Facilities (Holdings) Limited	159,795	1,205,996	–
Sewell Education (York) Limited	–	–	148,000
The Edinburgh Schools Partnership (Holdings) Limited	42,699	267,874	117,002
Emblem Schools Holdings Limited	231,158	1,681,149	–
PPP Services (North Ayrshire) Holdings Limited	335,697	2,303,803	40,590
Lighting for Staffordshire Holdings Limited	23,250	168,155	242,000

19. Controlling party

The immediate parent undertaking is The PFI Infrastructure Company plc.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The ultimate parent and controlling party is BIIF L.P. BIIF L.P. is owned by a number of investors with no one investor having individual control.

20. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The changes in accounting policies between UK GAAP as previously reported and FRS 102 have resulted in no adjustment to profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014.

BIIF Holdco Limited

**Annual Report and Group Financial Statements
For the year ended 31 December 2015**

Registered number 06704550

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No.5092397.

BIIF Holdco Limited

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BIIF Holdco Limited

Company Information

Directors: Andrew Matthews (resigned 13 February 2015)
John Cavill (appointed 25 January 2016)
Nigel Middleton

Company secretary: Infrastructure Managers Limited

Registered office: Cannon Place
78 Cannon Street
London
EC4N 6AF

Independent Auditors: PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

BIIF Holdco Limited

Strategic Report

Year Ended 31 December 2015

The Directors present their strategic report of the Company and the Group for the year ended 31 December 2015.

Principal Objectives and Strategies

The principal activity of the Company was that of a holding company. The principal activity of the Group was the provision, operation and maintenance of various assets under the Private Finance Initiative ('PFI') and within regulated renewable markets.

Review of the Business

In December 2015 the Group refinanced one of its lending facilities to a new facility level of £533,507,000. This is split into two facilities, Facility A which is repayable in instalments, with the final payment on 31 December 2025, and Facility B which is repayable in instalments with the final payment on 31 December 2035. This is described in more detail in note 12.

The results for the year are in line with management's current expectations and the financial model prepared for each of the Group's investments.

The Group transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance are given in note 22.

Future Developments

The Directors intend for the business to continue to hold its interests in the investments.

Key Performance Indicators

Group performance is measured on the basis of cash flows, both for shareholders and lenders. As with all companies in this sector, detailed cash flow projections are prepared to demonstrate the ability of the business to service its debt. Current projections demonstrate that the business can continue to maintain its debt service cover ratios at the base case levels agreed with the Group's lenders and will continue to pay returns to shareholders. As such the Directors are satisfied that the Group's performance is in line with forecast and, therefore, consider the going concern basis of preparation to be appropriate.

Financial risk management

The Group is exposed to a variety of financial risks that include Retail Price Indices, interest rate risk and liquidity risk. The Group has in place measures to limit the adverse effects of changes in these risks. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash deposits and proceeds from investment sums. The Group also invests in cash deposits at floating rates.

Objectives and policies

The Company's exposure to and management of interest rate risk, credit risk and liquidity risk is detailed below:

Interest rate risk

The Group's policy is to manage its cost of borrowings using fixed rate debt.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer, counterparty to a financial instrument or counterparty for facility management services fails to meet their contractual obligations.

Credit risk is overseen by management, and arises mainly from:

- cash and cash equivalents;
- derivative financial instruments;
- credit exposures to amounts due from outstanding receivables; and
- other committed transactions with counterparties.

The Group's objective is to minimise credit risk to an acceptable level whilst not overly restricting the Group's ability to generate

BIIF Holdco Limited

Strategic Report

Financial risk management (continued)

revenue and profit. It is the Group's policy to invest assets safely and profitably. Management monitors credit risk closely and considers that its current policies in managing the exposure to credit risk are appropriate.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of its key customers or counterparties. The Group's largest credit exposures are to public sector bodies and financial institutions. The amounts owed by the public sector bodies in the United Kingdom are considered to be a low credit risk by the Group. The counterparties for facility management are with well-established companies that operate several facility management contracts and the Group considers these companies unlikely to default on their respective liabilities to the Group.

In determining whether a financial asset is impaired due to credit or counterparty risks, the Group takes account of:

- The fair value of the asset at the statement of financial position date and, where applicable, the historic fair value of the asset;
- In the case of receivables, the counterparty's typical payment patterns; and
- In the case of other counterparty's, the current contract performance and the latest available information on the counterparty's credit worthiness.

Liquidity risk

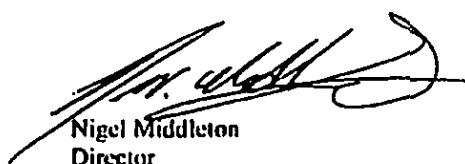
The principal repayments of the bond are subject to variations in the retail price index to which the bond is linked.

Principal risks and uncertainties

The principal risk faced by the Group is the future cost of lifecycle expenditure. Each project has a lifecycle profile which is regularly reviewed and managed, to highlight and mitigate any potential adverse effects.

On March 2016, the UK HM Treasury announced its Business Tax Road Map. In part this was a response to the OECD's final reports on its base erosion and profit shifting 'BEPS' initiative. The document sets out certain changes which may impact BIIF Holdco Group's underlying investments. As at this time the draft legislation has not been finalised and has not been enacted into law it is not possible to determine with certainty the impact on the Group.

Approved by the board on 29 September 2016 and signed on its behalf by:



Nigel Middleton
Director

BIIF Holdco Limited

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015.

Results and Dividends

The net consolidated loss after tax and minority interests in the financial year was £10,834,000 (2014: loss £58,678,000). The result for the year will be transferred to reserves.

No dividends (2014: £nil) were paid by the company during the year.

Financial risk management

See information provided in the Strategic Report.

Directors and their interests

The Directors in office during the year and up to the date of this report, shown on page 1, had no beneficial interest in the Company or its subsidiaries.

Disclosure of information to the auditors

So far as each of the Directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General meeting.

The Directors' Report was approved by the board on²⁹.....September 2016 and signed on its behalf by:



Nigel Middleton
Director

Registered number 06704550

BIIF Holdco Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Group 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors' responsibilities were approved by the board on ~~29~~ 29 September 2016 and signed on its behalf by:



Nigel Middleton
Director

BIIF Holdco Limited

Independent Auditors' Report to the members of BIIF Holdco Limited

Report on the financial statements

Our opinion

In our opinion, BIIF Holdco Limited's group financial statements and company financial statements (the "financial statements"):

give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's loss and cash flows for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

the Group and Company Statements of Financial Position as at 31 December 2015;

the Group Statement of Comprehensive Income for the year then ended;

the Group Statement of Cash Flows for the year then ended;

the Group and Company Statements of Changes in Equity for the year then ended; and

the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or

the company 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.

BIIF Holdco Limited

Independent Auditors' Report to the members of BIIF Holdco Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 group's and the company's circumstances and have been consistently applied and adequately disclosed;

the reasonableness of significant accounting estimates made by the directors; and

the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

29 September 2016

BIIF Holdco Limited
Group Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	Year ended 31 Dec 2015		Year ended 31 Dec 2014	
		£000	£000	£000	£000
Group turnover	2		323,632		354,826
Cost of sales			<u>(226,744)</u>		<u>(262,320)</u>
Group gross profit			96,888		92,506
Net operating expenses			<u>(38,131)</u>		<u>(41,494)</u>
Group operating profit			<u>58,757</u>		<u>51,012</u>
Finance costs	3				
- Group		(108,022)		(91,724)	
- Fair value profit/(loss) on derivatives		<u>6,381</u>		<u>(6,669)</u>	
			(101,641)		(98,393)
Share of results in joint ventures and associates	8		<u>29,430</u>		<u>8,334</u>
Loss on ordinary activities before taxation	4		(13,454)		(39,047)
Tax on profit/(loss) on ordinary activities	5		7,477		(16,108)
Loss on ordinary activities after taxation			<u>(5,977)</u>		<u>(55,155)</u>
Non-controlling interests			<u>(4,857)</u>		<u>(3,523)</u>
Loss for the financial year			<u>(10,834)</u>		<u>(58,678)</u>
Other comprehensive income					
<i>Fair value movements on cash flow hedging instruments, net of tax</i>					
- Group		12,399		(68,991)	
- Associates and joint ventures		<u>23,049</u>		<u>(40,207)</u>	
			35,448		(109,198)
Non-controlling interests			508		(489)
Exchange differences on retranslation of subsidiary undertakings			139		(506)
Tax relating to components of other comprehensive income			<u>83</u>		<u>(421)</u>
Total comprehensive loss for the year			<u>25,344</u>		<u>(169,292)</u>
Total comprehensive income/(loss) for the year attributable to:					
Non-controlling interests			(4,349)		(4,012)
Owners of the parent company			<u>29,693</u>		<u>(165,280)</u>
			<u>25,344</u>		<u>(169,292)</u>

BIIF Holdco Limited

Group and Company Statement of Financial Position

For the year ended 31 December 2015

	Note	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Fixed assets					
Tangible assets	7	389,120	411,829	-	-
Investment properties	7	63,954	63,954	-	-
Investments					
Interests in joint ventures:	8				
Share of gross assets		1,762,634	1,749,368	-	-
Share of gross liabilities		(1,519,252)	(1,543,065)	-	-
Associates:	8				
Interest in associates		86,038	81,584	-	-
		<u>329,420</u>	<u>287,887</u>	<u>-</u>	<u>-</u>
		<u>782,494</u>	<u>763,670</u>	<u>-</u>	<u>-</u>
Current assets					
Debtors: due within one year	9	137,621	138,166	-	-
Debtors: due after more than one year	10	1,426,713	1,494,996	-	-
Cash in hand and at bank		220,602	222,746	-	-
		<u>1,784,936</u>	<u>1,855,908</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due within one year	11	(320,534)	(334,904)	-	-
Net current assets		<u>1,464,402</u>	<u>1,521,004</u>	<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>2,246,896</u>	<u>2,284,674</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due after more than one year	12	(2,114,636)	(2,157,574)	-	-
Derivative financial instruments	13	(525,459)	(559,506)	-	-
Provision for liabilities and charges					
Deferred taxation	14	(68,509)	(58,995)	-	-
Net liabilities		<u>(461,708)</u>	<u>(491,401)</u>	<u>-</u>	<u>-</u>
Capital and reserves					
Called up share capital	15	-	-	-	-
Hedging reserve		(343,246)	(379,203)	-	-
Other reserves		2,191	2,052	-	-
Profit and loss account		(157,307)	(146,556)	-	-
Total shareholders' deficit		<u>(498,362)</u>	<u>(523,707)</u>	<u>-</u>	<u>-</u>
Non-controlling interests		<u>36,654</u>	<u>32,306</u>	<u>-</u>	<u>-</u>
		<u>(461,708)</u>	<u>(491,401)</u>	<u>-</u>	<u>-</u>

These financial statements on pages 8 to 39 were approved by the Directors and authorised for issue on 29 September 2016 and are signed on its behalf by:

Nigel Middleton
Director

Company registration number: 06704550

BIIF Holdco Limited
Group and Company Statement of Changes in Equity
As at 31 December 2015

Group	Called up share capital £'000	Profit and loss account £'000	Hedging reserve £'000	Other reserves	Non-controlling interests £'000	Total equity £'000
				Revaluation reserve £'000	Foreign exchange reserve £'000	
As at 1 January 2014	-	(88,516)	(269,094)	2,833	(127)	(326,611)
(Loss)/Profit for the year	-	(58,040)	-	-	-	(54,517)
Fair value movements on cash flow hedging instruments, net of tax	-	-	(109,198)	-	-	(109,198)
Revaluation of investment property	-	-	-	(148)	-	(148)
Exchange differences on retranslation of subsidiary undertakings	-	-	-	-	(506)	(506)
Non-controlling interest	-	-	(489)	-	-	-
Tax relating to other comprehensive income	-	-	(421)	-	-	(421)
Total comprehensive income for the year	-	(58,040)	(110,108)	(148)	(506)	(164,790)
As at 31 December 2014	-	(146,556)	(379,202)	2,685	(633)	(491,401)
(Loss)/Profit for the year	-	(10,834)	-	-	-	(5,977)
Other comprehensive income	-	83	-	-	-	83
Fair value movements on cash flow hedging instruments, net of tax	-	-	35,448	-	-	35,448
Non-controlling interests	-	-	508	-	(508)	-
Exchange differences on retranslation of subsidiary undertakings	-	-	-	-	139	139
Total comprehensive income for the year	-	(10,751)	35,956	-	139	29,693
As at 31 December 2015	-	(157,307)	(343,246)	2,685	(494)	(461,708)

Company

The company had no reserves during the year ended 31 December 2015 (2014: nil).

BIIF Holdco Limited
Group Statement of Cash Flows
For the year ended 31 December 2015

		Year ended 31 Dec 2015	Year ended 31 Dec 2014
	Note	£000	£000
Net cash from operating activities	16	121,045	118,562
Taxation received		(1,037)	2,318
Net cash generated from operating activities		<u>120,008</u>	<u>120,880</u>
Investing activities			
Interest received		69,556	80,808
Dividends received		19,640	10,026
Purchase of tangible fixed assets		(161)	(257)
Disposal of tangible fixed assets		-	2,979
Net cash generated from investing activities		<u>89,035</u>	<u>93,556</u>
Financing activities			
Interest paid		(169,060)	(161,039)
Issue costs of new bank facility		(17,020)	(4,709)
Receipts of new banking facilities		575,508	312,919
Net decrease in bank borrowings and other loans		(609,710)	(364,989)
Capital repayments of loan amounts issued to joint ventures and associates		2,431	5,451
Loans advanced to joint ventures and associates		(11,010)	(930)
Net movement in loan amounts due from project companies in the Group under sub participation agreement from the bank		<u>18,028</u>	<u>11,227</u>
Net cash used in financing activities		<u>(210,833)</u>	<u>(202,070)</u>
(Decrease)/Increase in cash and cash equivalents		<u>(1,790)</u>	<u>12,366</u>
Effect of exchange rates on cash and cash equivalents		<u>(354)</u>	<u>-</u>
Cash and cash equivalents at 1 January		<u>222,746</u>	<u>210,380</u>
Cash and cash equivalents at 31 December		<u>220,602</u>	<u>222,746</u>

BIIF Holdco Limited

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

A summary of the principal Group Accounting Policies, all of which have been applied consistently throughout the year, is set out below.

Statement of compliance

BIIF Holdco Limited is a limited liability company incorporated in England. The Registered Office is Cannon Place, 78 Cannon Street London EC4N 6AF.

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2015.

The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 22.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments and in accordance with Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000.

Going concern

The Group has received loans from external banks, which are secured against the cash flows from the Group's investments and also loans from its ultimate parent undertaking. The financial statements have been prepared on a going concern basis following an assessment of the financial viability of each of the Group's principal investments, and also the sources of cash flow projected to be available to service the portfolio debt obligations within the Group. This assessment indicates that although the Group currently has net liabilities, sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not prepared a statement of comprehensive income for BIIF Holdco Limited.

Method of consolidation – subsidiaries

On acquisition of a business, all the business' assets and liabilities that exist at the date of acquisition are recorded at their fair values. Initially, provisional fair values are allocated and these are finalised within twelve months of the date of control. All changes to those assets and liabilities and resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition statement of comprehensive income. The purchase consideration is measured as the fair value of the assets given up or liabilities undertaken plus costs directly attributable to the acquisition. Goodwill is the excess purchase consideration over the fair value of the identifiable assets and liabilities acquired.

Subsidiaries are enterprises that are controlled by the Group over which it typically has in excess of 50% of the voting rights. The Group consolidates the results of the company and its subsidiaries. Subsidiary acquisitions are accounted for using the acquisition method of accounting. All inter-group transactions, balances and unrealised gains on transactions between Group entities have been eliminated in full.

Fair value adjustments which are made at the date of acquisition are amortised on a straight line basis over the period of the life of the underlying asset.

Uniform accounting policies are applied across all subsidiaries within the Group.

BIIF Holdco Limited

Notes to the financial statements

For the year ended 31 December 2015

Accounting policies (continued)

Method of consolidation – associates and joint ventures

Investments in associates and joint ventures are consolidated using the equity method. In arriving at the amounts to be included by the equity method, the same accounting policies as those of BIIF Holdco Limited are applied. Where practicable, associates and joint ventures are included on the basis of financial statements prepared for a period not more than three months before the Group's year end. Where the associate's or joint venture's accounting reference date is greater than three months prior to 31 December, the associates are consolidated based on the latest statutory accounts adjusted for management accounts to 31 December.

Associates are enterprises, other than joint ventures, that are not controlled by the Group, over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence.

All balances and effects of transactions between each associate and joint venture and the Group have been eliminated to the extent of the Group's interest in the associate and joint venture.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

i) Hedge accounting and consideration of the fair value of derivative financial instruments

The Group uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates and movements in RPI as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Group fair values its derivative financial instruments and records the fair value of those instruments on its statement of financial position.

Movements in the fair values of the Group's derivative financial instruments may be accounted for using hedge accounting where the requirements of hedge accounting are met under FRS 102 including the creation of compliant documentation and meeting the effectiveness testing requirements. If a hedge does not meet the criteria for hedge accounting, which may include a consideration of whether there has been a substantial modification to the terms of the hedge, or where there is some degree of ineffectiveness identified in respect of the hedging relationship, then the change in fair value in relation to these items will be recorded in the comprehensive income statement. If a hedging relationship is judged to be discontinued for hedge accounting then any amounts previously deferred in other comprehensive income in respect of that previously hedged position, must immediately be recognised in the income statement. Otherwise, in respect of the Group's derivative financial instruments, these changes in fair value are recognised in other comprehensive income.

As referred to above, the Group carries its derivative financial instruments on its statement of financial position at fair value. No market prices are available for these instruments and consequently the fair values are derived using financial models developed by the shareholders based on counterparty information that is independent of the Group, but use observable market data in respect of RPI and interest rates as an input to valuing those derivative financial instruments.

ii) Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value at 31 December 2015 (residential property) and 31 December 2013 (commercial property). The valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 7.

BIIF Holdco Limited

Notes to the financial statements

For the year ended 31 December 2015

Accounting policies (continued)

iii) Income taxation

Current taxation

The taxation charge or credit arising on profit or loss before taxation and in respect of gains or losses recognised through other comprehensive income reflect the tax rates in effect or substantially enacted at the balance sheet date as appropriate. The determination of appropriate provisions for taxation requires the Directors to take into account anticipated decisions of HM Revenue and Customs which inevitably requires the Directors to use judgements as to the appropriate estimate of taxation provisions.

Deferred taxation

Deferred taxation is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit. Judgements are required to be made as to the calculation and identification of temporary differences and in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgement requires the Directors to consider forecast information over a long time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

The carrying value of those assets recorded on the Group's statement of financial position at amortised cost could be materially reduced if the value of those assets were assessed to have been impaired. Impairment reviews are performed in the event that circumstances change which might indicate that an asset has been impaired. In principle, such impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets on the statement of financial position. Any reduction in value arising from such a review would be recorded in the income statement. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

ii) Accounting for service concession agreements

Accounting for the service concession contracts and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profiles which are based on forecast results of the contracts.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

BIIF Holdco Limited

Notes to the financial statements

For the year ended 31 December 2015

Accounting policies (continued)

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Turnover

Turnover represents the services share of the management services income received by the Group for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between revenue and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Dividends

Dividends are recognised as income when the Group's right to receive payment is established.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the statement of financial position date. Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in other comprehensive income.

Accounting for PFI assets

The Group has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Group to continue the service concession arrangement accounting policies from old UK GAAP.

i. Finance debtor

The company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

BIIF Holdco Limited

Notes to the financial statements

For the year ended 31 December 2015

Accounting policies (continued)

ii. Tangible fixed assets

The company is accounting for the concession asset based on the inability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the company on the design and construction of the assets have been treated as a fixed asset within these financial statements.

iii. Investment properties

Investment properties are accounted for in accordance with FRS 102 Section 16 'Investment Property'. Investment properties are revalued every two to three years by an external qualified and registered property valuer and every other year the Directors assess the carrying value in light of any changes in market conditions. The aggregate surplus or deficit is charged to the income statement; and no amortisation is provided in respect of long leasehold investment properties.

Depreciation

On completion (date on which an availability certificate is issued), depreciation is charged on buildings on a straight line basis to the income statement over the useful economic life of each asset. The annual rates applied to each class of asset are:

Buildings	concession period 25 to 35 years – 2.9% to 4.0% straight line
Equipment	concession period 25 to 29 years straight line
	short life assets 3-4 years straight line and 12.5% – 33% reducing balance

Impairment

All assets, including financial assets, are reviewed for impairment annually at the reporting date. Where an indicator of impairment or objective evidence exists, an estimate of the asset's recoverable amount is made. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. This is at the individual project company level within the Group.

Government grants

Grants which relate to specific capital expenditure are accounted for using the accrual model. These are initially treated as deferred income and subsequently released to the income statement on a straight line basis over the asset's useful economic life. Other grants are recognised in the income statement when any associated performance conditions are met.

Deferred income

Deferred income also includes capital contributions towards the construction of fixed assets from the public sector counterparty on certain projects completed by the Group. These are accounted for using the accrual model and released to the income statement on a straight line basis over the life of the related asset.

Capital instruments

Shares are included in shareholder funds. Debt instruments, which contain an obligation to repay, are classified as liabilities. The finance costs recognised in the income statement in respect of capital instruments, other than shares, are allocated to periods over the operating life of the instrument to which they relate at a constant carrying amount in accordance with FRS 102 section 22.

BIIF Holdco Limited

Notes to the financial statements

For the year ended 31 December 2015

Accounting policies (continued)

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the income statement, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the income statement immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Hedge Accounting

Some entities in the Group have entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). Some entities have also entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its principal activity (RPI swaps). These entities have designated that these arrangements are a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Group's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the income statement in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

BIIF Holdco Limited
Notes to the financial statements
For the year ended 31 December 2015

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the Group and arise entirely from continuing operations. An analysis of revenue is given below:

	31 Dec 2015 £000	31 Dec 2014 £000
United Kingdom	312,917	310,607
Other European Union	10,715	44,219
Total revenue	323,632	354,826

3. Interest and similar items

	31 Dec 2015 £000	31 Dec 2014 £000
Interest payable		
Interest payable on bank loans and overdrafts	(108,924)	(92,520)
Interest payable on Eurobond	(47,764)	(46,070)
Interest on long term bond	(11,266)	(12,633)
Amortisation of loan issue costs	1,009	(8,213)
Total interest payable and similar items	(166,945)	(159,436)
Interest receivable		
Bank interest receivable	804	2,964
Other interest receivable	4,476	3,256
Finance debtor interest receivable	53,643	61,492
Total interest receivable	58,923	67,712
Net interest payable and similar items	(108,022)	(91,724)

4. Loss on ordinary activities before taxation

	31 Dec 2015 £000	31 Dec 2014 £000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	20,725	20,686
Amortisation of fair value adjustments	30,221	30,221
Wages and salaries	4,641	3,712
Social security costs	457	359
Fee payable to the company auditor for the audit of the parent company, subsidiary companies and consolidated accounts (parent company: 2015: £4,000 2014: £4,000)	816	758
Fees payable to the company auditor for other services		
- Restructuring and diligence services*	414	600
- Tax compliance services	95	-

* A proportion of the 2014 restructuring fees were paid by the company's parent company BIIF LP. There were 61 employees in the financial year other than the Directors (2014: 51).

None of the Directors of the Company received any remuneration from the Group during the year (2014: £nil). Attention is drawn to the payments made to certain Directors of subsidiary undertakings disclosed in note 19.

BIIF Holdco Limited
Notes to the financial statements
For the year ended 31 December 2015

5. Taxation

	31 Dec 2015 £000	31 Dec 2014 £000
Current tax		
UK corporation tax on profit/(loss) for the year	1,561	3,706
Adjustments in respect of prior periods for subsidiary companies	(2,219)	758
Tax on profit on ordinary activities	<u>(658)</u>	<u>4,464</u>
Deferred tax		
Origination and reversal of timing differences	(3,630)	11,100
Impact of change in tax rate	(3,189)	544
Total deferred tax credit	<u>(6,819)</u>	<u>11,644</u>
Tax on profit/(loss) on ordinary activities	<u>(7,477)</u>	<u>16,108</u>

The tax assessed for the year is lower than (2014: lower than) the standard rate applying in the UK (20.25%) (2014: 21.49%). The differences are explained below:

	31 Dec 2015 £000	31 Dec 2014 £000
Group profit/(loss) on ordinary activities before tax	<u>(13,454)</u>	<u>(39,047)</u>
Profit/(Loss) on ordinary activities at the UK tax rate 20.25% (2014: 21.49%)	(2,724)	(8,391)
Effects of:		
Expenses not deductible for tax purposes	152	18,550
Losses utilised	(3,760)	-
Adjustment in respect of prior year tax charge	(2,219)	758
Non-trading transfer pricing adjustment	5,147	5,122
Group relief not paid for	(884)	(485)
Effect of rate change	(3,189)	554
Tax on profit/(loss) on ordinary activities	<u>(7,477)</u>	<u>16,108</u>

Factors that may affect future tax income

On 26 October 2015, a reduction in the UK corporation tax rate from 20% to 18% was substantively enacted. The reduction is to take effect in two stages from 1 April 2017 (19%) and then from 1 April 2020 (18%). As a result, relevant deferred tax balances have been re-measured at the rate at which the majority of the deferred tax balance is expected to unwind.

In his budget speech on 16 March 2016 the Chancellor of the Exchequer proposed that the above UK corporation tax rate of 18% effective from 1 April 2020 be reduced to 17%. This change has not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

6. Results of holding company

A Company profit of £nil (2014: £nil) is dealt with by the parent accounts of BIIF Holdco Limited. The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented a statement of comprehensive income for the Company alone.

BIIF Holdco Limited
Notes to the financial statements
For the year ended 31 December 2015

7. Tangible fixed assets - Group

	Buildings £000	Equipment £000	Total £000
Cost or valuation			
As at 1 January 2015	435,371	125,887	561,258
Additions	-	161	161
Foreign exchange translation adjustment	-	(2,145)	(2,145)
As at 31 December 2015	435,371	123,903	559,274
Depreciation			
As at 1 January 2015	106,674	42,755	149,429
Charge for the period	15,070	5,655	20,725
As at 31 December 2015	121,744	48,410	170,154
Net book value			
As at 31 December 2015	313,627	75,493	389,120
As at 31 December 2014	328,697	83,132	411,829

Interest charged to the income statement included within the depreciation charge is £555,000 (2014: £1,050,000).

Interest capitalised to date, included in cost, totals £24,943,000 (2014: £25,498,000).

Included within the total for Equipment is £2,139,000 (2014: £5,521,000) in respect of assets held under finance lease.

Company

The Company had no fixed assets at 31 December 2015 (2014: none).

Investment properties - Group	Land & Buildings £000
Cost or valuation	
As at 1 January 2015	63,954
Revaluation	-
As at 31 December 2015	63,954

The Group holds residential and commercial investment properties.

The residential investment properties were revalued on an open market basis in March 2015 by Derek Nesbitt a member of the Royal Institution of Chartered Surveyors on behalf of DTZ Debenham Tie Leung Limited.

The commercial investment property was revalued by Rushton International on the basis of market value at 31 December 2013. The Directors consider that the valuation carried out in December 2013 continues to reflect the current market value.

Company

The Company had no investment properties at 31 December 2015 (2014: none).

BIIF Holdco Limited
Notes to the financial statements
For the year ended 31 December 2015

8. Investments – Group
Interests in joint ventures and associates

	Joint ventures £000	Associates £000	Loans to joint ventures £000	Loans to associates £000	Total £000
Cost or valuation					
As at 1 January 2015	65,973	57,676	140,330	23,908	287,887
Additions	-	-	11,010	128	11,138
Disposals	-	-	(11)	-	(11)
Share of retained profits	22,057	7,373	-	-	29,430
Dividends receivable	(14,529)	(5,111)	-	-	(19,640)
Movement on hedge reserve	20,740	2,309	-	-	23,049
Repayment of loan	-	-	(2,188)	(245)	(2,433)
As at 31 December 2015	94,241	62,247	149,141	23,791	329,420

Company

The Company had no investments at 31 December 2015 (2014: none).

The following additional information is provided in respect of equity accounted investments:

	Share of Revenue £000	Share of non- current assets £000	Share of current assets £000	Share of non-current liabilities £000	Share of current liabilities £000	Share of net assets £000
31 December 2015						
Joint ventures	156,867	1,495,504	267,132	1,422,200	97,052	243,382
Associates	55,159	333,589	88,228	292,597	43,151	86,038
31 December 2014						
Joint ventures	214,388	1,502,724	246,644	1,450,153	92,912	206,303
Associates	54,132	348,941	86,612	312,949	41,020	81,584

Investments in Group undertakings are stated at cost. The Directors consider that to give full particulars of all subsidiaries would lead to a statement of excessive length.

BIIF Holdco Limited **Notes to the financial statements** For the year ended 31 December 2015

8. Investments (continued)

The companies listed below are subsidiaries of the Group:-

Investment	Registered office
A-Roads Investments Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
ABC Schools (Holdings) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
ABC Schools Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Adams Campus Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Alert Communications Group Holdings Limited	33 Wigmore Street, London, W1U 1QX
Alert Communications (Holdings) Limited	Arnolds Cottage, Eddy Green Road, Lytchett Matravers, Poole, Dorset, BH16 6HL
Alert Communications (2006) Limited	33 Wigmore Street, London, W1U 1QX
Alert Communications Limited	33 Wigmore Street, London, W1U 1QX
Alpha Schools (West Lothian) Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Alpha Schools (West Lothian) Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
AM Holdco Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Anavon Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Anavon Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Bannockburn Group Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Bannockburn Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Bannockburn Homes Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Barclays Integrated Infrastructure Project sarl	16 Palace Street, London, SW1E 5JD
Black Hill Wind Farm Topco Limited	Beaufort Court Egg Farm Lane, Off Station Road, Kings Langley, Hertfordshire, WD4 8LR
Black Hill Wind Farm Holdco Limited	Beaufort Court Egg Farm Lane, Off Station Road, Kings Langley, Hertfordshire, WD4 8LR
Black Hill Wind Farm Limited	Beaufort Court Egg Farm Lane, Off Station Road, Kings Langley, Hertfordshire, WD4 8LR
BIIF Bidco Limited	Fifth Floor, 100 Wood Street, London, EC2V 7EX
Blackshaw Healthcare Services Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Blackshaw Healthcare Services Ltd	Cannon Place, 78 Cannon Street, London, EC4N 6AF
BIIF Holdco II Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
BIIF Holdco III Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
BIIF IssuerCo Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
BIIF Offshore Windkraft Holdings Limited	4/7 Esplanade, St Helier, Jersey, JE1 0DE
BIIF Parentco Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Catchment Highland Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Highland Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Moray Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Moray Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Tay Holdings Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
Catchment Tay Limited	2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF
CH Bolton Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
CH Bolton (Holdings) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Connect A50 Limited	6th Floor 350 Euston Road, Regents Place, London, NW1 3AX
Connect Roads Limited	6th Floor 350 Euston Road, Regents Place, London, NW1 3AX
Covesea Holdings Limited	2nd Floor 11 Thistle Street, Edinburgh, EH2 1DF
Covesea Limited	2nd Floor 11 Thistle Street, Edinburgh, EH2 1DF
Crickeldrift Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Defence Management Group (Holdings) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Defence Management (Holdings) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Defence Management (Witchfield) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Duchesspark Holdings Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF

BIIF Holdco Limited
Notes to the financial statements
For the year ended 31 December 2015

Investment

Lochgilphhead Healthcare Services (Holdings) Limited
Lochgilphhead Healthcare Services Limited
Lowdham Grange Prison Services Limited
M1-A1 Investments Limited
M1-A1 Yorkshire Limited
Machrie Burn Limited
Machrie Limited
Matrix FPMS Holdings Limited
Matrix FPMS Limited
Matrix PFI Developments Limited
Matrix PFI GP Limited
Matrix PFI Holdings Limited
Matrix Premier Holdings Limited
Midlothian Schools (Debtco) Limited
Midlothian Schools (Holdings) Limited
Midlothian Schools Limited
Monroton Prison Services Limited
Morris Eddie Limited
Newmount Holdings Limited
Newmount Limited
Newschools (Penweddig) Holdings Limited
Newschools (Penweddig) Limited
Normanby Healthcare Group Holdings Limited
Normanby Healthcare (Holdings) Limited
Normanby Healthcare (Projects) Limited
NPF1 Security (Aug 2010) Limited
Nuffield Albion Healthcare Limited
NVSH Huldeo Limited
NVSH TopCo Limited
PFI Infrastructure Company plc
PFI Infrastructure Finance Limited
PFI Senior Funding Limited
PIF Vulcans Lane Limited
PIF West Cumbria Limited
Premier Custodial Finance Limited
Premier Custodial Investments Limited
Premier Custodial Sub-debt Limited
Pucklechurch Custodial Services Limited
Reno Water Highland Limited
Reno Water (Moray) Limited
Reno Water (Tay) Limited
Robertson Education (Aberdeenshire) Group Holdings Limited
Robertson Education (Aberdeenshire) Holdings Limited
Robertson Education (Aberdeenshire) Limited
Robertson Education (Ingleby Barwick) Group Holdings Limited
Robertson Education (Ingleby Barwick) Holdings Limited
Robertson Education (Ingleby Barwick) Limited
Robertson Health (Chester le Street) Group Holdings Limited
Robertson Health (Chester le Street) Holdings Limited
Robertson Health (Chester le Street) Limited
Salisbury Healthcare Facilities (Holdings) Limited
Salisbury Healthcare Facilities Limited
SD Marine Services (Holdings) Limited
SD Marine Services Limited
Helios B (SJDA 11)
Societe des Bus Hybrides Dijonnais
TBEP Investments Limited
Tiverton Healthcare Facilities (Holdings) Limited

Registered office

[illegible]

BIIF Holdco Limited
Notes to the financial statements
For the year ended 31 December 2015

Investment

Tiverton Healthcare Facilities Limited
VLE Holdings Limited
Vulcans Lane Estates Limited
Wansbeck Healthcare Facilities (Holdings) Limited
Wansbeck Healthcare Facilities Limited
WCEN Holdings Limited
West Cumbria Estates Management Limited
West Lothian Education Limited

Registered office

Cannon Place, 78 Cannon Street, London, EC4N 6AF
Cannon Place, 78 Cannon Street, London, EC4N 6AF
Cannon Place, 78 Cannon Street, London, EC4N 6AF
Cannon Place, 78 Cannon Street, London, EC4N 6AF
Cannon Place, 78 Cannon Street, London, EC4N 6AF
Cannon Place, 78 Cannon Street, London, EC4N 6AF
Cannon Place, 78 Cannon Street, London, EC4N 6AF
2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF

BIIF Holdco Limited **Notes to the financial statements** **For the year ended 31 December 2015**

8. Investments (continued)

The particulars of loans due from joint ventures and associates are:

Joint ventures and associates	% holding ordinary shares	Country of Incorporation	Sector	Sum advanced £000	Interest rate applied	Date of maturity of loan	Interest received £000	Accrued income and prepayment at 31 Dec 2015 £000	Accounting Period end date
Key Health Services (Aldenbrookes) Limited	50%	England & Wales	Healthcare	3,627	11.25%	2037	409	307	31 December
Fastrax Limited	50%	England & Wales	Military	3,349	11.25%	2025	486	120	31 December
Summit Healthcare (Wishaw) Ltd	60%	Scotland	Healthcare	8,819	18.00%	2028	1,267	400	31 March
Modern Courts (Hunthorpe) Ltd	50%	England & Wales	Justice	1,273	13.00%	2025	165	28	30 April
Modern Courts (East Anglia) Ltd	50%	England & Wales	Justice	889	13.20%	2025	117	-	31 December
The Education Support Company (Leeds) Ltd	50%	England & Wales	Education	1,442	13.00%	2028	192	47	31 March
Comson Healthcare (Durham) Limited	50%	England & Wales	Healthcare	4,711	LIBOR + 6%	2028	205	82	31 December
Genistics Ltd	50%	England & Wales	Military	8,276	13.50%	2020	1,082	563	31 December
Connect MI-A1 Limited	50%	England & Wales	Transport	3,554	15.00%	2016	825	109	31 March
PPP Services (North Ayrshire) Limited	55%	Scotland	Education	4,147	14.00%	2037	642	124	31 December
FCC (East Ayrshire) Limited	45%	Scotland	Education	1,649	9.00%	2037	331	83	31 December
Consort Healthcare (Edinburgh Royal Infirmary) Ltd	50%	Scotland	Education	7,615	LIBOR + 6%	2023	512	183	31 December
Glasgow Healthcare Facilities Ltd	50%	Scotland	Healthcare	9,700	13.75%	2039	1,234	336	31 December
Stobhill Healthcare Facilities Limited	60%	Scotland	Healthcare	1,206	13.25%	2031/2042	160	53	31 December
Sewell Education (York) Limited	50%	England & Wales	Education	-	-	-	-	-	31 December
Stirling Gateway Limited	50%	Scotland	Education	3,109	13.50%	2039	447	112	31 March
Sheppey Route Limited	50%	England & Wales	Transport	2,789	12.75%	2031	359	349	31 December
Blue Transmission Walney 1 Limited	50%	Jersey	Energy	6,620	7.88% + RPI	2031	750	131	31 March
Blue Transmission Walney 2 Limited	50%	Jersey	Energy	7,772	7.88% + RPI	2031	772	382	31 March
Blue Transmission London Army Limited	50%	England & Wales	Energy	38,734	8.21%	2031	3,177	802	31 March
Blue Transmission Sheringham Shnal Limited	50%	England & Wales	Energy	11,655	9.5%	2031	1,122	279	31 March

BIIF Holdco Limited **Notes to the financial statements** For the year ended 31 December 2015

Joint ventures and associates	% holding ordinary shares	Country of Incorporation	Sector	Sum advanced £000	Interest rate applied	Date of maturity of loan	Interest received £000	Accrued income and prepayment at 31 Dec 2015 £000	Accounting Period end date
The Walsall Hospital Company Limited	50%	England & Wales	Healthcare	8,076	12.30%	2040	994	250	31 December
Hounslow Highways Services Limited	50%	England & Wales	Transport	-	-	-	-	-	31 December
Helios A SPV (SIDA 12)	56%	France	Justice	7,420	8.618%	2041	-	165	December
Ligerea SPV (SIDA 13)	60%	France	Education	2,501	8.606%	2037	43	62	28 February
Road Management Group Limited	42%	England & Wales	Transport	4,804	12.00%	2022	1,283	7,073	31 December
Road Management Services (Darrington) Limited	25%	England & Wales	Transport	3,197	10.00%	2036	328	81	December
Catalyst Healthcare (Calderdale) Ltd	20%	England & Wales	Healthcare	638	15.00%	2031	96	8	31 December
Catalyst Healthcare (Worcester) Ltd	17%	England & Wales	Healthcare	654	8.40%	2031	88	-	31 December
Albion Healthcare (Oxford) Limited	25%	England & Wales	Healthcare	1,174	12.26%	2036	144	73	31 December
City Greenwich Lewisham Rail Link plc	40%	England & Wales	Transport	-	-	-	-	-	31 December
Connect A3035 Limited	15%	England & Wales	Transport	-	-	-	-	-	31 December
Connect M77 / GSO Limited	15%	England & Wales	Transport	3,553	12.10%	2035	379	2,790	31 March
Emblem Schools Limited	30%	Scotland	Education	1,681	13.75%	2032	231	58	31 March
Manchester Schools Services Limited	25%	England & Wales	Education	7,732	12.85%	2031	92	8	31 December
CSM PPP Services Limited	25%	Ireland	Education	-	-	-	-	-	31 December
Bangor and Nendrum Schools Services Limited	20%	Northern Ireland	Education	-	-	-	-	-	31 December
Salford Schools Solutions Limited	25%	England & Wales	Education	-	-	-	-	-	31 December
The Edinburgh Schools Partnership Limited	17%	Scotland	Education	206	13.07%	2033	33	9	31 December
Lighting for Staffordshire Limited	40%	England & Wales	Transport	153	13.18%	2025	22	5	31 March
									31 December

The Group accounts for an investment as an associate when it has significant influence but not control. This is typically demonstrated when the Group nominates one or more Directors to the board of the investment. Where the shareholder agreements stipulate that all shareholders with board representation must consent to the approval of key matters the Group designates the investment to be a joint venture, even if the equity holding is not 50%.

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9. Debtors: amounts falling due within one year

	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Trade debtors	14,443	14,030	-	-
Finance debtor	43,115	48,212	-	-
Amounts due from bank (note 10)	12,280	11,640	-	-
Prepayments and accrued income	34,138	33,201	-	-
Other debtors	32,972	31,083	-	-
Corporation tax recoverable	673	-	-	-
	137,621	138,166	-	-

The Group has no receivables which are impaired or past due. Refer to note 21 for further information in relation to credit risk exposure in the Group.

10. Debtors: amounts falling due after one year

	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Amounts due from bank	208,314	226,982	-	-
Finance debtor	1,099,556	1,149,770	-	-
Derivative financial instruments	57,053	66,158	-	-
Deferred tax asset	61,790	52,086	-	-
	1,426,713	1,494,996	-	-

Amounts due from bank represents debt due from project companies within the Group, which was the subject of a sub-participation agreement between the bank and a subsidiary company (PFI Senior Funding Limited) dated 28 July 2011. These loans are secured by a fixed and floating charge over all the assets, rights and undertakings of the individual project companies. Each project has an individual repayment profile with the final payment being settled at the end of each project concession.

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11. Creditors: amounts falling due within one year

	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Trade creditors	13,194	18,547	-	-
Other creditors	26,581	60,047	-	-
Accruals	85,598	74,649	-	-
Corporation taxation	-	124	-	-
Other taxes and social security costs	6,266	5,779	-	-
Finance leases	2,139	1,934	-	-
Bank loans (note 12(a))	160,192	161,001	-	-
Guaranteed secured bonds (note 12(c))	8,634	5,551	-	-
Other loans (note 12(d))	4,780	3,074	-	-
Deferred income (note 12(g))	13,150	4,198	-	-
	320,534	334,904	-	-

12. Creditors: amounts falling due after one year

	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Bank loans (note 12(a))	1,280,761	1,350,960	-	-
Eurobond (note 12(h))	617,875	575,874	-	-
Guaranteed secured bonds (note 12(c))	150,969	158,544	-	-
Other loans (note 12(d))	7,363	16,254	-	-
Zero Coupon Bond (note 12(e))	3,758	3,408	-	-
Other creditors (note 12(f))	12,791	8,976	-	-
Deferred income (note 12(g))	40,938	41,101	-	-
Finance leases (note 12 (h))	181	2,457	-	-
	2,114,636	2,157,574	-	-

The repayment of bank and other loans is due as follows:

Group	31 Dec 2015 £000	31 Dec 2014 £000
Due within one year	145,466	164,075
Due between one and two years	574,900	561,686
Due between two and five years	157,543	129,397
Due in more than five years	575,187	676,131
	1,453,096	1,531,289

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12. Creditors: amounts falling due after one year (continued)

(a) Bank loans

The total amount drawn down under bank loans at the year-end was £1,476,322,000 (2014: £1,534,946,000). Costs of £35,369,000 (2014: £22,985,000) have been set off against the total loan drawdowns, with £1,009,000 (2014: £8,213,000) of these credited to the income statement in the year.

An amount of £836,239,525 (2014: £817,651,000) relates to two senior banking facilities. The first facility relates to the finance of 18 PFI projects and is secured by a fixed and floating charge over the assets of these projects. This facility expires on 30 Sept 2035. During the year the second banking facility was refinanced into two loan facilities. Facility A £483,507,000 which expires on 31 December 2025, and Facility B £50,000,000 which is scheduled to be fully repaid by 31 December 2035. These new facilities are secured over the distributions and shareholder loan payments from all companies, excluding those secured under the first facility. The loan facilities have principal payments due on a six monthly basis. The Company has interest rate swap arrangements and under these arrangements the Company receives interest on a variable basis and also pays interest at 7.008%. Facility B has a fixed lending rate of 4.182%. The other bank loan of £302,732,865 receives interest on a variable basis and pays interest at a fixed rate of 8.55%. This loan will be repaid by 30 September 2035.

The remaining facilities relate to borrowings held by individual project subsidiary companies and they are secured by way of fixed and floating charges over the assets of the specific project company which holds the borrowings. Maturity of these facilities ranges from 2016 to 2035. Interest payable on the Group's bank loans ranges from rates of 5.11% to 7.99%.

(b) Eurobond

A subsidiary in the Group has issued a Eurobond totalling £617,875,000 (2014: £575,874,000) which was subscribed for in full by the ultimate parent entity, BIIF LP. This Eurobond bears interest at 8% per annum and falls due for repayment on 9 January 2019.

(c) Secured bonds

A subsidiary has issued, at par value, £87,190,000 (2014: £87,190,000) 3.443% index-linked guaranteed secured bonds due 2004-2036. The bond is secured by way of a fixed and floating charge over the assets of the subsidiary and two immediate holding companies. Both the interest and principal balances are adjusted for the increase in the Retail Price Index at six monthly intervals, which cumulatively at 31 December 2015 amounted to 56.7% (2014: 54.6%).

A subsidiary has issued £79,314,000 (2014: £79,314,000) 7.12% secured bonds which are due 2028. The bond is secured by way of a fixed and floating charge over the assets of the subsidiary.

The maturity profile of all bonds is as follows:

	31 Dec 2015 £000	31 Dec 2014 £000
Amounts repayable in one year or less or on demand	8,634	5,551
Between one and two years	8,340	6,745
Between two and five years	637,570	596,990
Over five years	128,029	135,492
	<u>782,573</u>	<u>744,778</u>
Unamortised finance costs associated with the bond issue	(1,337)	(1,401)
	<u>781,236</u>	<u>743,377</u>
Included within creditors: amounts falling due within one year	(8,634)	(5,551)
Amounts falling due after one year	<u>772,602</u>	<u>737,826</u>

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12. Creditors: amounts falling due after one year (continued)

(d) Other loans (all unsecured)

A subsidiary in the group has issued loan notes totalling £948,000 (2014: £897,000) which bear interest at 13.5%. Of this balance, £661,000 (2014: £610,000) represents unpaid interest on the loan notes and is due for payment within twelve months. The balance falls due for payment on 31 March 2032.

A subsidiary in the group has issued a £35,000 (2014: £31,000) loan stock instrument. The loan bears a Coupon of 13.5% per annum and payment of capital falls due in the year 2035. The Coupon on the principal amount accrues daily and is payable on 30 September and 31 March each year. The amount is charged to the income statement as interest falls payable. The sum was advanced under a subordinated loan agreement and is, therefore, unsecured and would rank alongside ordinary creditors in the event of a winding up.

The same subsidiary also issued a £127,000 (2014: £121,000) subordinated loan note issued at a price of 20 pence for each £1 in nominal value of loan stock held. The loan bears a Coupon of 13.5% per annum and payment of capital falls due in the year 2035. The Coupon on the principal amount accrues daily and is payable on 30 September and 31 March each year. The sums were advanced under a subordinated loan agreement and rank alongside ordinary creditors but above the loan stock detailed above in the event of a winding up.

The same subsidiary also issued a £267,000 (2014: £267,000) subordinated loan note. The loan bears a Coupon of 13.5% per annum and payment of capital falls due in the year 2035. The Coupon on the principal amount accrues daily and is payable on 30 September and 31 March each year. The sums were advanced under a subordinated loan agreement and rank alongside ordinary creditors but above the loan stock detailed above in the event of a winding up.

A subsidiary in the group has issued an unsecured loan with a value of £1,033,000 (2014: £1,033,000) due 2037, bearing interest at 13.04%.

A subsidiary in the group has issued loan stock with a value of £591,000 (2014: £709,000). The loan stock bears interest at 14% per annum and is repayable in semi-annual instalments with the final payment due on 31 August 2018.

A subsidiary in the group has issued loan stock with a value of £715,000 (2014: £715,000) bearing interest at 13% per annum. Of this balance, £64,000 (2014: £64,000) represents unpaid interest on the loan notes and is due for payment within twelve months. The principal is repayable in full in February 2036.

A subsidiary in the group has issued loan stock with a value of £309,000 (2014: £1,854,000) bearing interest at 9% and is repayable in instalments to December 2019.

A subsidiary in the group has issued loan stock with a value of £2,313,000 (2014: £3,707,000). The loan stock bears interest at 13% and has repayment dates between 15 December 2012 and 15 December 2017.

A subsidiary in the group has issued loan stock with a value of £5,805,000 (2014: £6,259,000). The loan stock bears interest at the rate per annum determined by the lender which will be calculated according to the aggregate of margin, LIBOR, and mandatory costs. The debt is repayable in 41 consecutive six monthly instalments, the first of which was repaid in August 2002 with the final instalment due on 31 August 2023.

A subsidiary in the group has issued loan stock within a value of £nil (2014: £3,356,000). The loan is interest free and is repayable between 31 March 2016 and September 2025.

(e) Zero coupon bond

A subsidiary company has issued a zero coupon bond with a redemption value of £8,000,000 (2014: £8,000,000) on 3 October 2022. This bond was issued at a discount value of £633,000 which is amortised to maturity at a constant rate on the carrying amount of the debt.

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12. Creditors: amounts falling due after one year (continued)

(f) Other creditors

Included in other creditors is a decommissioning provision of £379,000 (2014: £345,000) which provides for the future costs of decommissioning a wind farm. The provision has been discounted at an annual rate of 10% and this discount is charged to the statement of comprehensive income until 2027, the estimated date of decommissioning.

(g) Deferred income

Group	31 Dec 2015 £000	31 Dec 2014 £000
As at 1 January	45,299	45,532
Arising during the period	11,942	-
Amortised during the period	(2,151)	(233)
Foreign exchange translation adjustment	(1,002)	-
As at 31 December	<u>54,088</u>	<u>45,299</u>

Deferred income is divided as follows:

- In fourteen projects, on completion of construction of the facilities, the public sector client made payments to the respective project companies (Eastbrook Facilities Limited, Covesea Limited, GH Newham Limited, GH Bodmin Limited, Kintra Limited, Bannockburn Homes Limited, KE Project Limited, LH Project Limited, Machrie Limited, NewSchools (Penweddig) Limited, Connect A50 Limited, Innovate East Lothian Limited, Blackshaw Healthcare Services Limited and Adams Campus Limited) as a contribution to the capital cost of the works. These contributions were deferred and will be amortised over the life of the project. The balance as at 31 December 2015 was £27,861,000 (2014: £28,823,000).
- £9,790,000 (2014: £13,781,000) in respect of funding grants which will be amortised over the lifetime of the PFI concession contract.
- £5,524,000 (2014: £5,864,000) received following the arrangement of an RPI SWAP which will be amortised over the lifetime of the contract.
- £10,913,000 (2014: £nil) in respect of asset renewal underspend. £11,942,000 was acquired in the year in respect of asset renewal underspend.

Of the balance at the year-end, it is expected that £13,150,000 (2014: £4,198,000) will be realised within 12 months and £40,938,000 (2014: £41,101,000) will be realised after 12 months.

(h) Finance leases

The future minimum finance lease payments are as follows:

Group

	31 Dec 2015 £000	31 Dec 2014 £000
Not later than one year	2,139	1,934
Later than one year and not later than five years	181	2,457
	<u>2,320</u>	<u>4,391</u>

Company

The Company did not have any finance leases at 31 December 2015 (2014: none).

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13. Derivative financial instruments

	Group 31 Dec 2015 £000	Group 31 Dec 2014 £000	Company 31 Dec 2015 £000	Company 31 Dec 2014 £000
Liabilities				
Interest rate swaps	431,915	420,008	-	-
RPI swaps	93,544	139,498	-	-
	<u>525,459</u>	<u>559,506</u>	<u>-</u>	<u>-</u>

14. Deferred taxation

Group	31 Dec 2015 £000	31 Dec 2014 £000
As at 1 January	6,909	4,456
Prior year adjustment	(258)	(316)
Revised balance as at 1 January	<u>6,651</u>	<u>4,140</u>
Deferred tax disposed	-	315
Movement through other comprehensive income	6,887	-
Deferred tax charge/(credit) for the year	(6,819)	2,454
As at 31 December	<u>6,719</u>	<u>6,909</u>
Analysis of deferred tax balances:		
Accelerated capital allowances	76,699	94,040
Derivatives	(61,790)	(52,334)
Other timing differences	9,249	(5,487)
Losses	(17,439)	(29,310)
	<u>6,719</u>	<u>6,909</u>

The Group has an un-provided deferred tax asset of £28,182,000 (2014: £59,750,000). The deferred tax asset arises on unrelieved losses within certain Group companies. This asset would be recoverable if the Group companies made sufficient taxable profits in future periods against which the losses could be offset.

15. Called up share capital

Group and Company	31 Dec 2015 £	31 Dec 2014 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued, called up and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

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16. Net cash flow from operating activities

Reconciliation of profit to net cash (outflow)/inflow from operating activities	31 Dec 2015 £000	31 Dec 2014 £000
Operating profit	58,757	51,012
Reversal of impairment of investments	(4,611)	(3,403)
Depreciation charge	20,725	20,686
Amortisation of fair value adjustments	15,787	15,787
Amortisation of deferred income	(8,789)	233
Decrease/(Increase) in debtors	47,832	(3,198)
(Decrease)/Increase in creditors	(8,656)	37,445
Net cash (outflow)/inflow from operating activities	121,045	118,562

17. Reconciliation of cash and cash equivalents
Cash and cash equivalents comprise the following:

	1 Jan 2015 £000	Cash flow £000	Non- cash movements £000	31 Dec 2015 £000
Cash in hand and at bank	222,746	(2,144)	-	220,602
Debt payable: within one year	(171,560)	(4,185)	-	(175,745)
Debt payable: after one year	(2,107,497)	38,387	(4,588)	(2,073,698)
	<u>(2,279,057)</u>	<u>34,202</u>	<u>(4,588)</u>	<u>(2,249,443)</u>
Loan payments: receivable within one year	11,640	640	-	12,280
Loan payments: receivable after one year	226,982	(18,668)	-	208,314
	<u>238,622</u>	<u>(18,028)</u>	<u>-</u>	<u>220,594</u>
Total	(1,817,689)	14,030	(4,588)	(1,808,247)

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18. Parent undertaking and ultimate controlling party

The ultimate parent and controlling entity is BIIF LP. BIIF LP is owned by a number of investors, with no one investor having individual control.

19. Related party transactions

The Group paid £41,479 (2014: £41,250) to the Sodexo Group for the services of the Sodexo employees as directors to HpC King's College Hospital (Holdings) Limited, a subsidiary of the Group in which Sodexo hold a minority interest. At 31 December 2015, £nil (2014: £nil) remained outstanding.

Sodexo Group also manage the non-clinical services for HpC Kings College Hospital (Holdings) Limited, a subsidiary of the Group in which the Sodexo Group hold a minority interest. The amount charged for these services was £nil (2014: £nil). At 31 December 2015, £9,092 (2014: £9,092) remained outstanding.

Sodexo Group also manage the lifecycle and estate services for HpC Kings College Hospital (Holdings) Limited, a subsidiary of the Group in which the Sodexo Group hold a minority interest. The amount charged for these services was £1,342,319 (2014: £1,314,709). At 31 December 2015, £nil (2014: £nil) remained outstanding.

A Director of Innovate East Lothian Limited during the period is also a Director of FES FM Limited. FES FM Limited provided facilities management services to the Company. The amount charged for these services was £3,667,439 (2014: £3,498,604). At 31 December 2015, £727,734 (2014: £704,458) remained outstanding. All contracts are carried out at arms-length.

A Director of Innovate East Lothian Limited during the period is also a Director of FES Limited. FES Limited is the holder of loan notes issued by Innovate East Lothian Limited totalling £394,444 (2014: £388,096) and loan notes issued by Innovate East Lothian (Holdings) Limited totalling £35,000 (2014: £31,000).

The Group has subcontracted the design, build, operation and maintenance of Alert Communications Group Holdings Limited to Babcock Communications Limited, a company which, through an intermediary holding company, holds a minority interest in Alert Communications Group Holdings Limited. During the year Alert Communications Limited was invoiced £3,293,496 (2014: £3,372,153) by Babcock Communications Limited in connection with operation and maintenance fees. At 31 December 2015, £549,468 (2014: £538,948) remained outstanding.

Veolia manage the operational activities of Catchment Limited, Catchment Moray Limited and Catchment Tay Limited, subsidiaries of the Group in which Veolia Group hold a minority interest. The total invoices raised in the year in respect of these services amounted to £11,852,372 (2014: £11,594,596). At 31 December 2015, £1,825,585 (2014: £2,346,679) remained outstanding.

Balfour Beatty Investments Limited, a subsidiary of Balfour Beatty plc, is employed under a Secondment Arrangement with Connect A50 Limited for the provision of managerial staff. The value of the services provided in the year was £395,000 (2014: £395,000). At 31 December 2015, £nil (2014: £nil) remained outstanding.

Balfour Beatty Infrastructure Services Limited, a subsidiary of Balfour Beatty plc, is employed under a contract with Connect A50 Limited for the provision of technical supervision and maintenance of a roadway. The value of the contract in the year was £4,673,000 (2014: £4,673,000). At 31 December 2015, £nil (2013: £nil) remained outstanding.

The group has subcontracted the design, build, operation and maintenance of Societe Des Bus Hybrids Dijonnais to Heuliez Bus, a company which holds a minority interest in Societe Des Bus Hybrids Dijonnais. During the year Societe Des Bus Hybrids Dijonnais was invoiced £500,235 (2014: £444,777) by Heuliez Bus for these services. At 31 December 2015, £85,595 (2014: £47,336) remained outstanding.

The Group has subcontracted the design, build and management through construction of Helios B to Spie Batignolles, a company which holds a minority interest in Helios B. Spie Batignolles also receives a reimbursement of the costs of a corporate guarantee. During the year Helios B was invoiced £9,542,240 (2014: £35,210,447) by Spie Batignolles in connection with these services. At 31 December 2015, £5,152 (2014: £1,967,920) remained outstanding.

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20. Pension

The Company operates a defined contribution pension scheme for its employees.
The amount recognised as an expense in the statement of comprehensive income was:

	31 Dec 2015 £000	31 Dec 2014 £000
Current period contributions	<u>285</u>	<u>231</u>

21. Financial instruments

(a) Carrying amount of financial instruments

	31 Dec 2015 £000	31 Dec 2014 £000
Assets measured at amortised costs	1,531,791	1,609,811
Assets measured at cost less impairment	329,420	287,887
Assets measured at fair value	57,053	66,158
Liabilities measured at fair value through profit and loss	(525,459)	(559,506)
Liabilities measured as amortised cost	<u>(2,234,332)</u>	<u>(2,274,666)</u>

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swaps is based on valuations provided by the swap counterparties. Those valuations 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.

The interest rates used to discount estimated cash flows, where applicable are based on market interest rates.

The fair value of RPI swaps is based on valuations provided by the swap counterparties. Those valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market forecast inflation rates.

The amount of change in fair value attributable to own credit risk cannot be measured reliability.

The derivative contracts used by the group are typical for PFI projects. Where projects are debt-funding, interest on the loan is calculated by reference to a floating rate. Interest rate swaps hedge Libor fluctuations and mitigate the risk that debt interest costs will fluctuate as Libor fluctuates. The full amount of the senior debt service payment is hedged in this way.

RPI swaps are used to hedge fluctuations in the inflation index which is relevant for the project. Low inflation would otherwise cause a shortfall in cash with which to make senior debt service payments. RPI swaps are structured in such a way to ensure that any volatility in cash flow for senior debt service that could arise due to inflation fluctuations is effectively neutralized.

Interest rate swaps and RPI swaps, where used, are conditions imposed on the PFI project company by the senior debt provider to ensure stability in cash flows.

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and affect profit and loss as required by FRS 102.29(a) for the cash flow hedge accounting models

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21. Financial instruments (continued)

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Period ended 31 December 2015						
Interest rate swaps:						
Liabilities	431,915	431,915	43,238	170,882	46,828	170,967
RPI swaps:						
Liabilities	93,544	93,544	9,364	37,010	10,142	37,028
Period ended 31 December 2014						
Interest rate swaps:						
Liabilities	405,783	405,783	43,479	148,844	34,289	179,171
RPI swaps:						
Liabilities	139,498	139,498	14,947	51,169	11,788	61,594

The group uses hedge accounting in line with FRS102.12.

Interest rate swaps are used as a hedging instrument against a floating rate loans as the hedged item. RPI swpas are used as a hedging instrument against that portion of unitary payment receipts which are required to make periodic senior debt service payments.

Fair value of these hedging instruments are reported in note 16. The amount of the change in fair value of the hedging instruments recognised in other comprehensive income for the period and the amount that was recycled to profit or loss for the period are shown in the statement of consolidated other comprehensive income.

(d) Fair values

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

	Fair value 31 Dec 2015 £000	Fair value 31 Dec 2014 £000
Interest rate swap contracts	374,862	353,850
RPI swap contracts	93,544	139,498

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22. Transition to FRS 102

This is the first year that the Group has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year		31/12/2014
		£'000
UK GAAP - As previously reported		(127,545)
Hedge reserve	A	78,043
Investment properties	B	(148)
Effective Interest Rate adjustment on bank loans	C	161
Deferred tax impact of adjustments	D	(9,189)
Total adjustment to profit for the financial year		<u>68,867</u>
FRS 102		<u>(58,678)</u>
Other Comprehensive Income		31/12/2014
		£'000
UK GAAP - As previously reported		(654)
Derivative financial instruments	A	(68,991)
Investment properties	B	148
Non-controlling interest		(489)
Share of Joint venture and Associate other comprehensive income	E	(40,207)
Tax relating to components of other comprehensive income		
- Derivative financial instruments		<u>(421)</u>
FRS 102		<u>(110,614)</u>
Total Equity		01/01/2014
		£'000
UK GAAP - As previously reported		(271,055)
Derivative financial instruments		(23,277)
Derivative financial instruments of joint ventures and associates		(117,283)
Effective Interest Rate adjustment to bank loans		(5,192)
Deferred taxation		<u>61,903</u>
FRS 102		<u>(354,904)</u>
		31/12/2014
		£'000
UK GAAP - As previously reported		(399,255)
Derivative financial instruments		(14,225)
Derivative financial instruments of joint ventures and associates		(157,489)
Effective Interest Rate adjustment to bank loans		(5,031)
Deferred taxation		<u>52,293</u>
FRS 102		<u>(523,707)</u>

A Derivative Financial Instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the Group did recognise these instruments in the financial statements, however hedge accounting was not applied. With the change to FRS102 the group has taken the opportunity to review its accounting treatment in respect of derivative financial statements which are now hedged. Accordingly, at transition a hedging reserve of £269,095,000 was recognised.

B Investment Properties

Under FRS 102, changes in the fair value of investment properties are recorded in the statement of comprehensive income. Under previous UK GAAP these changes were recorded in the Statement of Total Recognised Gains and Losses.

BIIF Holdco Limited

Notes to the financial statements

For the year ended 31 December 2015

22. Transition to FRS 102 (continued)

C Effective Interest Rate adjustment to bank loans

Under FRS 102, debt instruments must be recorded at amortised cost using the effective interest method. On transition the loans were increased by £2,056,000 with a further £160,000 credit recognised in the statement of comprehensive income for the year ended 31 December 2014.

D Deferred taxation

The Group has accounted for deferred taxation on transition as follows:

(a) Derivative financial instruments – Deferred tax of £60,834,000 has been recognised at 20% on the liability recognised on transition at 1 January 2014. In the year ended 31 December 2014 the company has recognised a credit of £421 in the statement of comprehensive income in respect of the increase in the value of derivative financial instruments.

(b) Investment Properties - Deferred tax of £30,000 has been recognised at 20% of the gain/loss on revaluation.

(c) Effective Interest Rate adjustment to bank loans - Deferred tax of £1,039,000 has been recognised at 20% of the adjustment. The deferred tax balance will be amortised on a straight line basis over a 10 year period.

E Share of Joint Venture and Associate other comprehensive income

As FRS 102 requires derivative financial instruments to be recognised at fair value, and brought on to the balance sheet, if an investment has chosen to hedge account for derivatives, then the Group's share of movements on the cash flow hedge is reflected in the Other Comprehensive Income of the group. Previously under UK GAAP the Group did not recognise a share of these instruments in the financial statements.

F Statement of cash flows

The Group's statement of cash flows reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.



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The Company Secretary
ALLERTON DENTAL LIMITED
14 DAVID MEWS
LONDON
W1U 6EQ

Your Ref
Our Ref AA/08952178/CD
Date 05/04/2017

Dear Sir/Madam

ALLERTON DENTAL LIMITED

Thank you for your enclosed document. Unfortunately, we have been unable to accept it for the following reason(s):

The attached accounts were received at Companies House on 30/03/2017. A set of accounts with a balance sheet date of 30/06/2016 has already been received and accepted for filing. It would appear that the attached accounts are a duplicate set.

If you are intending to file these accounts to amend the set previously filed, please mark the front page "Amending".

If you have sent these accounts in response to a request made by Companies House, please return them for the attention of the person or department from whom the request came.

To avoid a late filing penalty, acceptable accounts must be received at Companies House by 31/03/2017. Please submit acceptable accounts without delay.

Some documents can be filed online, which is faster and more reliable. Our service checks for technical errors, allowing you to correct them before submission, reducing the risk of your documents being rejected. To find out if your company can file documents online, visit our website www.gov.uk/companieshouse, where you can also ask to receive reminder letters electronically.

Yours faithfully

Companies House

Encs. Accounts