

AURA (NEWCASTLE) PROJECT COMPANY LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
31 MARCH 2017



Registered in England and Wales No. 6064430

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors: K J Thirlwell
A Clapp
P K Johnstone
J McDonagh
J S Gordon

Company Secretary: K J Pearson

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

1. DIRECTORS

The directors, as set out above, served throughout the year and remain in office.

2. DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

3. AUDITOR

The auditor, RSM UK Audit LLP, Chartered Accountants, is deemed to be reappointed under Section 487(2) of the Companies Act 2006.

On behalf of the Board



K J Pearson
Company Secretary

Registered Office:
Eaton Court
Maylands Avenue
Hemel Hempstead
Herts
HP2 7TR

11 September 2017

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

STRATEGIC REPORT

1. RESULTS FOR THE YEAR

The profit for the year on ordinary activities after taxation amounted to £406,000 (2016: £362,000). No dividends were declared and paid during the year (2016: £Nil).

The directors do not recommend payment of a final dividend (2016: £Nil).

2. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

On 5 July 2007 the company completed financial close on a Private Finance Initiative project to design, build, finance and operate seven schools in Newcastle upon Tyne.

On the same date the company entered into two term debt facilities with BNP Paribas (BNP) and European Investment Bank (EIB) totalling £107m. Further funding of £10m has been provided by subordinated loans from the shareholders.

Final completion of the construction occurred in July 2010 and the project is operational.

3. REVIEW OF THE BUSINESS

The company continues to meet its contractual obligations to Newcastle City Council whilst also working to improve its efficiency in controlling costs. The company utilises many operational and financial key performance indicators (KPIs) including turnover and pre-tax profit to monitor its business performance against agreed targets. As shown in the company's profit and loss account on page 6 the company recognised turnover for the year of £3,136,000 (2016: £3,015,000), and made a profit before tax for the year of £507,000 (2016: £452,000).

Other KPIs include the monitoring of cash flow and the management of working capital. The company has modelled the anticipated financial performance of the company's concession across its full term. The directors monitor its actual performance against the anticipated performance. At 31 March 2017 the company's performance against this measure was satisfactory.

The company's operations are managed under the supervision of its directors in accordance with its funding arrangements. These operations are largely determined by the detailed terms of the PFI contract. For this reason, the company's directors consider that further KPIs for the company are not necessary or appropriate for an understanding of the performance or position of the business.

4. PRINCIPAL RISKS AND UNCERTAINTIES

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below:

Interest rate risk

The company hedged its interest rate risk at the inception of the project through the use of interest rate swaps on any variable rate debt.

Inflation risk

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. The nature of the project is such that cash flows are reasonably predictable.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

STRATEGIC REPORT

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Credit risk

The company receives its revenue from Newcastle City Council in the form of a unitary payment and therefore is not exposed to significant credit risk.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P K Johnstone', written in a cursive style.

P K Johnstone
Director

11 September 2017

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AURA (NEWCASTLE) PROJECT COMPANY LIMITED

Opinion on financial statements

We have audited the financial statements on pages 6 to 19. The financial reporting framework that has been applied in their preparation 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 our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

Scope of the audit of the financial statements

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

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 and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Linda Gray (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

14/9/2017

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	<u>Notes</u>	<u>2017</u> £'000	<u>2016</u> £'000
Turnover	2	3,136	3,015
Cost of sales		(2,801)	(2,710)
Operating profit		335	305
Interest receivable and similar income	3	6,593	6,766
Interest payable and similar charges	4	(6,421)	(6,619)
Profit on ordinary activities before taxation	5	507	452
Tax on profit on ordinary activities	6	(101)	(90)
Profit on ordinary activities after taxation and profit for the financial year		406	362
Other comprehensive income (net of tax)			
Hedge of variable interest rate risk – fair value losses on effective hedge		(63)	(246)
Total comprehensive income for the year		343	116

The operating profit for the year arises from the company's continuing operations.

The notes on pages 10 to 19 form part of these financial statements.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

BALANCE SHEET AS AT 31 MARCH 2017

	<u>Notes</u>	<u>2017</u> £'000	<u>2016</u> £'000
CURRENT ASSETS			
Debtors: Amounts falling due within one year	8	3,278	3,103
Debtors: Amounts falling due after more than one year	9	97,396	100,471
Cash at bank and in hand		9,578	9,314
		<hr/>	<hr/>
		110,252	112,888
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	10	(8,680)	(7,924)
		<hr/>	<hr/>
NET CURRENT ASSETS		101,572	104,964
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	11	(116,382)	(120,117)
		<hr/>	<hr/>
NET LIABILITIES		(14,810)	(15,153)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	50	50
Cash flow hedge reserve		(15,898)	(15,835)
Profit and loss account		1,038	632
		<hr/>	<hr/>
TOTAL EQUITY		(14,810)	(15,153)
		<hr/>	<hr/>

Company Registration No. 6064430

The notes on pages 10 to 19 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2017.

Signed on behalf of the Board of Directors.



P K Johnstone

Director

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Share <u>Capital</u> £'000	Cash flow <u>hedge reserve</u> £'000	Profit and <u>loss account</u> £'000	Total <u>£'000</u>
At 1 April 2015	50	(15,589)	270	(15,269)
Profit for the year	-	-	362	362
Other comprehensive income, net of tax Hedge of variable interest rate risk – fair value losses on effective hedge	-	(246)	-	(246)
At 31 March 2016	50	(15,835)	632	(15,153)
Profit for the year	-	-	406	406
Other comprehensive income, net of tax Hedge of variable interest rate risk – fair value losses on effective hedge	-	(63)	-	(63)
At 31 March 2017	50	(15,898)	1,038	(14,810)

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2017

	<u>2017</u> £'000	<u>2016</u> £'000
OPERATING ACTIVITIES		
Profit after tax	406	362
Adjustments for:		
Interest receivable and similar income	(6,593)	(6,766)
Interest payable and similar charges	6,421	6,619
Taxation	101	90
	<hr/> 335	<hr/> 305
Decrease in finance debtor	2,679	2,499
Decrease in other debtors	1	18
Increase in creditors	460	1,730
	<hr/>	<hr/>
Cash generated from operations	3,475	4,552
Corporation tax paid	(92)	(152)
Net cash flows from operating activities	<hr/> 3,383	<hr/> 4,400
INVESTING ACTIVITIES		
Interest received	6,594	6,766
Net cash flows from investing activities	<hr/> 6,594	<hr/> 6,766
FINANCING ACTIVITIES		
Repayment of loans	(3,331)	(2,919)
Interest paid	(6,376)	(6,568)
Commitment fees paid	(6)	(6)
Net cash flows from financing activities	<hr/> (9,713)	<hr/> (9,493)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<hr/> 264	<hr/> 1,673
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	<hr/> 9,314	<hr/> 7,641
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<hr/> <hr/> 9,578	<hr/> <hr/> 9,314

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. ACCOUNTING POLICIES

Aura (Newcastle) Project Company Limited (the “company”) is a private company limited by shares and incorporated and domiciled in England. The address of the company’s registered office is Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR. The company’s principal activities and operations are described in the Strategic Report.

The principal accounting policies applied in the preparation of these financial statements are set out below. They have, unless otherwise stated, been applied consistently throughout the current and preceding years.

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom law and Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”).

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the company.

Going concern

The company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors’ Report. The financial position of the company is set out in the balance sheet and the accompanying notes to the financial statements.

The directors believe that the company has satisfactory financial resources to allow it to operate its Private Finance Initiative contract. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors consider that, after reviewing the latest forecasts, the company has sufficient funds to cover its short term liabilities and will be in a position to pay its long term debts as they reach maturity.

The financial statements have therefore been prepared on a going concern basis.

Turnover, cost of sales and finance debtor

The company is an operator of a Private Finance Initiative contract. The underlying asset is not deemed to be an asset of the company under previous UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with Newcastle City Council. The directors have taken advantage of the following exemption from the requirements of FRS 102 permitted by FRS 102 Chapter 35 “Transition to this FRS”:

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

During the operational phase of the project income is allocated between interest receivable and the finance debtor repayment using a project specific interest rate. The remainder of the unitary charge income is included within turnover in accordance with previous UK GAAP. The company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

All turnover is generated within the United Kingdom.

Investments

Investments comprise of term deposits of less than one year. These are included as liquid resources.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

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

Trade debtors

Trade debtors are initially recognised at the transaction price and then are stated at amortised cost.

Derivatives

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

To qualify for hedge accounting, the company documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk).

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

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

Cash flow hedge – hedge of variable interest rate risk

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

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

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

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Borrowings

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

Taxation

Tax on the profit or loss for the year represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Critical accounting estimates and areas of judgement

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

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

Service concession accounting

Accounting for the service concession contract and finance debtor requires an estimation of service margins, which are based on forecast revenues and costs of the PFI contract.

Debtors

The recoverability of the company's debtors has been assessed by the directors and, where any uncertainty has been identified, sufficient provisions have been posted to reflect uncertainty.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

2. TURNOVER

An analysis of the company's turnover by class of business is as follows:

	<u>2017</u> £'000	<u>2016</u> £'000
Class of business		
Revenue from PFI contract	3,136	3,015
	<hr/>	<hr/>

An analysis of the geographical location of the company's turnover is as follows:

	<u>2017</u> £'000	<u>2016</u> £'000
Geographical segment		
United Kingdom	3,136	3,015
	<hr/>	<hr/>

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2017</u> £'000	<u>2016</u> £'000
Finance debtor interest receivable	6,553	6,720
Bank interest receivable	40	46
	<hr/>	<hr/>
	6,593	6,766
	<hr/>	<hr/>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2017</u> £'000	<u>2016</u> £'000
Loan interest payable	4,098	4,247
Swap interest	2,274	2,321
Commitment fees	6	6
Amortisation of finance costs	43	45
	<hr/>	<hr/>
	6,421	6,619
	<hr/>	<hr/>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>2017</u> £'000	<u>2016</u> £'000
Audit services - statutory audit	12	12
Other services - tax compliance	6	6
	<hr/>	<hr/>

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

On the profit for the year:

	<u>2017</u> £'000	<u>2016</u> £'000
Current year tax:		
United Kingdom Corporation Tax	101	90

Factors affecting the tax charge for the year:

	<u>2017</u> £'000	<u>2016</u> £'000
Profit on ordinary activities before taxation	507	452
Tax on profit on ordinary activities at the standard Corporation Tax rate of 20% (2016: 20%)	101	90
Tax charge for the year	101	90

In addition to the amount charged to profit or loss, £220,000 deferred tax charge (2016: £421,000 charge) has been recognised in other comprehensive income relating to the fair value movement on variable to fixed interest rate swaps.

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the year (2016: None) and therefore no staff costs (2016: £Nil), and no emoluments were paid to the directors in respect of their services to the company (2016: £Nil). £26,000 (2016: £26,000) was payable to the controlling shareholders for directors' services. Key management remuneration is borne by an unrelated entity.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2017</u> £'000	<u>2016</u> £'000
Finance debtor (note 9)	2,871	2,678
Deferred tax asset	384	401
Prepayments and accrued income	23	24
	<u>3,278</u>	<u>3,103</u>

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

9. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2017</u> £'000	<u>2016</u> £'000
Finance debtor	94,524	97,396
Deferred tax asset	2,872	3,075
	<u>97,396</u>	<u>100,471</u>

The finance debtor shown within debtors due within one year and after more than one year includes £3,928,000 of capitalised interest (2016: £4,036,000).

The deferred tax asset shown within debtors due within one year and after more than one year relates to the fair value recognised on variable to fixed interest rate swaps. The deferred tax asset has been recognised as follows:

	£'000
At 1 April 2016	3,476
Recognised in other comprehensive income	(220)
At 31 March 2017	<u>3,256</u>

Made up as follows:

	<u>2017</u> £'000	<u>2016</u> £'000
Included in Debtors: Amounts falling due within one year	384	401
Included in Debtors: Amounts falling due after more than one year	2,872	3,075
	<u>3,256</u>	<u>3,476</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2017</u> £'000	<u>2016</u> £'000
Loans (see note 13)	3,246	3,317
Variable to fixed interest rate swaps (see note 12)	2,260	2,229
Trade creditors	-	331
Other creditors	169	149
Taxation - VAT	557	579
Corporation tax	44	35
Accruals and deferred income	2,404	1,284
	<u>8,680</u>	<u>7,924</u>

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2017</u> £'000	<u>2016</u> £'000
Loans (see note 13)	91,213	94,430
Variable to fixed interest rate swap (see note 12)	16,894	17,082
Accruals and deferred income	8,275	8,605
	<u>116,382</u>	<u>120,117</u>

12. FINANCIAL INSTRUMENTS

The carrying amount of the company's financial instruments are as follows:

	<u>2017</u> £'000	<u>2016</u> £'000
Financial assets		
Measured at amortised cost		
Finance debtor	97,395	100,074
Accrued income	-	4
	<u>97,395</u>	<u>100,078</u>
Financial liabilities		
Measured at amortised cost		
Trade creditors	-	331
Accruals	1,104	1,284
Bank loans	86,587	89,854
Shareholder loans	7,872	7,893
	<u>95,563</u>	<u>99,362</u>
Measured at fair value through profit and loss		
Variable to fixed interest rate swap	19,154	19,311
	<u>114,717</u>	<u>118,673</u>

Interest Rate Swaps

The company uses interest rate swaps to manage its exposure to interest rate movements on its BNP term loan. A contract with a nominal value of £43,749,000 (2016: £45,437,000) fixes interest payments on variable rate debt at a rate of 5.69% (2016: 5.69%) for periods up to December 2033.

The fair value of the interest rate swap has been calculated by the swap provider, BNP Paribas, using their own internal models and calculation methods which take into consideration relevant current market conditions and reasonable estimates about relevant future market conditions and/or are based on or use third party sources.

The interest rate swap meets the conditions for hedge accounting, as set out in note 1.

The fair value of variable to fixed interest rate swaps that is effective in offsetting the variable interest rate risk on variable rate debt has been recognised in other comprehensive income and will be released to the profit and loss account bi-annually over the term of the swap agreement which expires in December 2033. The cash flows in respect of the swap occur bi-annually from 31 March 2010 until the agreement expires in December 2033.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

13. LOANS

	Loan	Arrangement Cost	Amortisation of Arrangement Cost	Total
	£'000	£'000	£'000	£'000
At 1 April 2016				
(a) BNP term loan	45,484	(427)	195	45,252
(b) EIB term loan	44,747	(266)	121	44,602
(c) Shareholder loan notes	8,036	(202)	59	7,893
(d) Change in Law Facility	-	(14)	14	-
	<u>98,267</u>	<u>(909)</u>	<u>389</u>	<u>97,747</u>

Repayments/Profit and Loss Account charge during the year

(a) BNP term loan	(1,685)	-	21	(1,664)
(b) EIB term loan	(1,616)	-	13	(1,603)
(c) Shareholder loan notes	(30)	-	9	(21)
	<u>(3,331)</u>	<u>-</u>	<u>43</u>	<u>(3,288)</u>

At 31 March 2017

(a) BNP term loan	43,799	(427)	216	43,588
(b) EIB term loan	43,131	(266)	134	42,999
(c) Shareholder loan notes	8,006	(202)	68	7,872
(d) Change in Law Facility	-	(14)	14	-
	<u>94,936</u>	<u>(909)</u>	<u>432</u>	<u>94,459</u>

Made up as follows:

	2017 £'000	2016 £'000
Included in Creditors: Amounts falling due within one year	3,246	3,317
Included in Creditors: Amounts falling due after more than one year	91,213	94,430
	<u>94,459</u>	<u>97,747</u>

- (a) The BNP term loan bears interest at LIBOR plus an applicable margin of 0.6% plus the Reserve Asset Costs. An interest rate swap has been used to reduce the company's exposure to fluctuating interest rates. The loan has been fully drawn down and is repayable in semi-annual instalments from 31 March 2011 to 30 September 2033 plus a final payment on 31 December 2033.
- (b) The EIB term loan bears interest at 5.589% plus an applicable margin of 0.15%. The loan has been fully drawn down and is repayable in semi-annual instalments from 31 March 2010 to 30 September 2032 plus a final payment on 31 December 2032.

The term loans are part of the senior debt facility and are secured by a fixed and floating charge over the assets of the company.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

13. LOANS (CONTINUED)

(c) During September 2009 10,092,000 £1 unsecured loan notes were issued at par. Interest on the loan notes is charged at 12.36%. The loan notes are repayable in semi-annual instalments from 31 March 2010 to 31 March 2035 and by 31 March 2017 2,086,000 notes had been repaid at par. The loan notes are held by the company's parent company and are subordinate to the other loans.

(d) In addition to the other loans, a Change in Law facility of £1,395,000 (2016: £1,448,000) is also available.

The loans are repayable as follows:

	<u>2017</u> £'000	<u>2016</u> £'000
In less than 1 year	3,259	3,331
In 1 - 2 years	4,022	3,229
In 2 - 5 years	11,265	11,729
Over 5 years	76,390	79,978
	<u>94,936</u>	<u>98,267</u>

Arrangement costs relate to those costs incurred in raising the term loans, Change in Law facility and shareholder loan notes. All arrangement costs capitalised are amortised over the period of the debt to which they relate, with the exception of the arrangement cost of the Change in Law facility. As there is no set drawdown or repayment profile for this facility, the costs were expensed immediately.

14. SHARE CAPITAL

	<u>2017</u> £'000	<u>2016</u> £'000
Allotted, called up and fully paid:		
50,000 Ordinary shares of £1 each	50	50

The Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

15. RESERVES

Reserves of the company represent the following:

Cash flow hedge reserve (note 12)

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

Retained earnings

Cumulative profit and loss net of distributions to owners.

AURA (NEWCASTLE) PROJECT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

16. RELATED PARTY TRANSACTIONS

The company has entered into the following material transactions on normal commercial terms with related parties:

On 5 July 2007 the company entered into a contract with Aura Newcastle Limited, a shareholder of its immediate parent company for administrative, company secretarial and contract management services. £166,000 (2016: £155,000) was payable under this contract during the year, and £11,000 (2016: £12,000) was included within accruals and deferred income due within one year at the year end.

A fee of £26,000 (2016: £26,000) was payable to Aura Holdings (Newcastle) Limited, the company's ultimate parent company for directors' services during the year, and £20,000 (2016: £28,000) was included within accruals and deferred income due within one year at the year end.

17. ULTIMATE PARENT COMPANY

The immediate parent company is Aura (Newcastle) Holding Company Limited and the ultimate parent company is Aura Holdings (Newcastle) Limited which is incorporated in Great Britain and registered in England and Wales. Aura Holdings (Newcastle) Limited is the only company to prepare consolidated financial statements which include the results of this entity. Copies of the group financial statements can be obtained from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR. There is no ultimate controlling party.