

Company Registration No. 06261520 (England and Wales)

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

COMPANY INFORMATION

Directors	Mr A Clapp	
	Mr R Thompson	(Appointed 12 October 2015)
	Mr S Gordon	(Appointed 12 October 2015)
	Mr J McDonagh	(Resigned 12 October 2015)
Secretary	HCP Social Infrastructure (UK) Limited	
Company number	06261520	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) First Floor Quay 2 139 Fountainbridge Edinburgh EH3 9QG	

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

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TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Principal activities

On 13 December 2007, Transform Schools (Knowsley) Limited, entered into a PFI concession contract with Knowsley Metropolitan Borough Council, to design, build or refurbish, and provide services within seven secondary schools. A second PFI contract was entered into on 19 May 2011 to consolidate two existing Special Educational Needs (SEN) buildings into a single SEN facility. The contract end date for both contracts is 31 August 2034.

No change in the Company's principal activities is anticipated.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A Clapp	
Mr R Thompson	(Appointed 12 October 2015)
Mr S Gordon	(Appointed 12 October 2015)
Mr J McDonagh	(Resigned 12 October 2015)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

The auditor's, RSM UK Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Registered Office

The Company's Registered Office is 8 White Oak Square, Swanley, Kent, BR8 7AG.

On behalf of the board



Mr A Clapp
Director
29 June 2016

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for preparing the Annual 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 Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

We have audited the financial statements on pages 5 to 17. 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 Financial Reporting Standard 102 applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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 Directors' Report has been prepared in accordance with applicable legal requirements.

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 Directors' Report.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.

RSM UK Audit LLP

CLAIRE MONAGHAN (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

First Floor

Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

29 June 2016

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	6,364	5,870
Cost of sales		(5,147)	(5,152)
Gross profit		1,217	718
Operating costs		(917)	(840)
Operating profit/(loss)	3	300	(122)
Interest receivable and similar income		12,110	12,408
Interest payable and similar charges		(11,226)	(11,798)
Profit before taxation		1,184	488
Taxation	5	(9)	(103)
Profit for the financial year		1,175	385
Other comprehensive income			
Cash flow hedge (gain/(loss) on interest rate swaps arising in the year		5,419	(17,829)
Tax relating to other comprehensive income		(1,936)	3,566
Other comprehensive income/(expense) for the year		3,483	(14,263)
Total comprehensive profit/(loss) for the year		4,658	(13,878)

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Current assets			
Debtors	6	184,681	190,442
Cash at bank and in hand		8,312	11,045
		<u>192,993</u>	<u>201,487</u>
Creditors: amounts falling due within one year	8	<u>(22,263)</u>	<u>(21,853)</u>
Net current assets		170,730	179,634
Creditors: amounts falling due after more than one year	9	(204,860)	(216,518)
Net liabilities		<u>(34,130)</u>	<u>(36,884)</u>
Capital and reserves			
Called up share capital		50	50
Hedging reserve		(34,958)	(38,441)
Profit and loss reserves		778	1,507
Shareholders' Deficit		<u>(34,130)</u>	<u>(36,884)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 29 June 2016 and are signed on its behalf by:



Mr A Clapp
Director

Company Registration No. 06261520

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Hedging reserve	Profit and loss reserves	Total
Notes	£'000	£'000	£'000	£'000
Balance at 1 January 2014	50	(24,178)	1,122	(23,006)
Period ended 31 December 2014:				
Profit for the year	-	-	385	385
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	(14,263)	-	(14,263)
Total comprehensive income for the year	-	(14,263)	385	(13,878)
Balance at 31 December 2014	50	(38,441)	1,507	(36,884)
Profit for the year	-	-	1,175	1,175
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	3,483	-	3,483
Total comprehensive income for the year	-	3,483	1,175	4,658
Total transactions with owners in their capacity as owners - Dividends			(1,904)	(1,904)
Balance at 31 December 2015	50	(34,958)	778	(34,130)

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

Transform Schools (Knowsley) Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime.

The preparation of these financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its 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 financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on a going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow on-going obligations to be met as they fall due.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

First time adoption of FRS102

These financial statements for the year ended 31 December 2015 are the first financial statements of Transform Schools (Knowsley) Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland as applied to smaller entities by the adoption of Section 1A of FRS102. The date of transition to FRS 102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 13.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemption has been taken in these financial statements:

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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

The Company's parent undertaking, Transform Schools (Knowsley) Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Transform Schools (Knowsley) Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the preparation and disclosure of the Cash Flow Statement and related notes.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.2 Going concern

The current economic conditions create some general uncertainty. The Directors have reviewed the Company's supply chain and do not believe that any specific risk has been identified. The Directors have also considered the ability of the council to continue to pay unitary fees due under the concession contract to the Company and do not consider this to be a material risk. The Company's forecasts and projections, taking account of reasonable counterparty performance, show the Company expects to be able to operate for the full term of the concession.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. The Company's long term forecasts show that it will be profitable over the life of the concession.

In accordance with FRS102 Section 12 Hedge Accounting the Company's hedging instrument has been recorded at fair value within the financial statements which has given rise to a shareholders' deficit as shown in the Company balance sheet. This reserve does not impact on the long term forecasts of the Company which show it to be profitable over the life of the concession.

1.3 Turnover

All turnover and profit on ordinary activities before taxation originates in the UK. Turnover represents the value, net of value added tax and discounts, of services provided in the year. Service revenue in respect of the the unitary charge is recognised as described in the finance debtor accounting policy.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Cash and cash equivalents

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

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.5 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 to all of its financial instruments. Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

Senior term loans are initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period. The secured term loan is valued at amortised cost, using the effective interest rate method, taking account of projected indexation across the term of the liability.

Issue costs are written off to the profit and loss account, over the term of the debt on a straight line basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held in current accounts.

Basic Financial Instruments

These financial statements for the year ended 31 December 2015 are the first financial statements of Transform Schools (Knowsley) Limited prepared in accordance with FRS102. The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS102 was 1 January 2014. An explanation of how transition to FRS102 has affected the reported financial position and financial performance is given in note 13.

Fair value hedge - fixed interest rate risk

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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 company after deducting all of its liabilities.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

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

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

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

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss is discussed below.

Fair value hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

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

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.9 Finance debtor and services income

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

1.10 Critical areas of judgement

The effective interest rate on senior debt instruments was calculated and is not deemed to be materially different to the interest rate applied in the financial statements and as such no adjustment has been made to the interest charge in the financial statements. This will continue to be monitored.

2 Turnover and other revenue

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

	2015 £'000	2014 £'000
Turnover		
Arising from the Company's principal activity	6,364	5,870
	<u> </u>	<u> </u>
Other significant revenue		
Interest income	12,110	12,408
	<u> </u>	<u> </u>

3 Operating profit/(loss)

	2015 £'000	2014 £'000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's financial statements	10	10
	<u> </u>	<u> </u>

4 Auditor's remuneration

	2015 £'000	2014 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	10	10
Audit of the company's subsidiaries	4	4
	<u> </u>	<u> </u>
	14	14
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	5	-
	<u> </u>	<u> </u>

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 Taxation

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on profits for the current period	9	103

The current tax charge for the year is in line with (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).

	2015 £'000	2014 £'000
Profit before taxation	1,184	488
Expected tax charge based on a corporation tax rate of 20.25% (2014 - 21.50%)	240	105
Adjustments in respect of prior years	-	(2)
Group relief	(65)	-
Under/(over) provided in the year	(166)	-
Tax expense for the year	9	103

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2015 £'000	2014 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(1,936)	3,566

The main rate of corporation tax was reduced from 21% to 20% from 1 April 2015. A further reduction to 19% from 1 April 2017 and to 18% from 1 April 2020 was substantially enacted in the Summer Finance Bill 2015 on 26 October 2015. This will reduce the Company's future tax charge accordingly.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. However as this has not been substantially enacted by the date of signing these financial statements, this reduced rate has not been used in calculation future tax liabilities.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	185	235
Finance debtor	4,839	4,103
Accrued income and prepayments	1,508	760
	<u>6,532</u>	<u>5,098</u>
Amounts falling due after one year:		
Finance debtor	170,475	175,734
Deferred tax asset (note 10)	7,674	9,610
	<u>178,149</u>	<u>185,344</u>
Total debtors	<u>184,681</u>	<u>190,442</u>

7 Loans and overdrafts

	2015 £'000	2014 £'000
Bank loans	155,104	160,960
Subordinated loans	13,558	15,246
	<u>168,662</u>	<u>176,206</u>
Payable within one year	6,434	7,739
Payable after one year	<u>162,228</u>	<u>168,467</u>

The secured Subordinated 10% loan stock is held 100% by PPDI Assetco Limited, and is repayable in semi annual installments over the life of the concession.

The secured senior loans represent amounts borrowed by the Company under a facility agreement with banks. The loans are repayable in instalments between 2010 and 2034. The loans bear interest at a margin over LIBOR. As part of the interest rate management strategy, the Company entered into interest rate swaps in respect of all senior debt. Under these swaps and the financing in place, the Company pays fixed interest at fixed rates between 5.7% and 6.3%. The loans are secured by fixed and floating charges over the undertaking, property, assets and rights of the Company and have certain covenants attached.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

8 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Loans and overdrafts	6,434	7,739
Trade creditors	1,158	759
Corporation tax payable	175	269
Other taxation and social security	662	996
UCCA	10,677	8,417
Accrued interest	3,157	3,673
	<u>22,263</u>	<u>21,853</u>

9 Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Loans and overdrafts	162,228	168,467
Derivative financial instruments	42,632	48,051
	<u>204,860</u>	<u>216,518</u>

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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 company after deducting all of its liabilities.

10 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Assets 2015 £'000	Assets 2014 £'000
Balances:		
Cash flow hedge asset	<u>7,674</u>	<u>9,610</u>

The deferred tax asset set out above is expected to reverse in line with movements in the fair value adjustments in relation to the interest rate SWAP held by the Company.

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

11 Related party transactions

The Company is indirectly a wholly-owned subsidiary of Transform Schools (Knowsley) Holdings Limited and has taken advantage of the exemption in Section 33 of FRS102 'Related party disclosures' from disclosing related party transactions with other group companies within these financial statements.

12 Controlling party

The Company is indirectly a wholly-owned subsidiary of Transform Schools (Holdings) Limited which is incorporated in the United Kingdom and registered in England and Wales. Transform Knowsley (Schools) Holdings Limited owns 100% of the share capital in Transform Schools (Knowsley) Intermediate Limited, which in turn owns 0.2% of the share capital in the company. The remaining 99.8% of the share capital in the Company is owned by Transform Schools (Holdings) Limited. The only Group in which the results of Transform Schools (Knowsley) Limited are consolidated is Transform Schools (Knowsley) Holdings Limited, copies of whose financial statements are available from 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The immediate parent company of Transform Schools (Knowsley) Holdings Limited is PPD Assetco Limited. The company is ultimately controlled by PPP Equity PIP LP, a limited partnership registered in England.

13 Reconciliations on adoption of FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under the previous 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.

Reconciliation of equity

	1 January 2014	31 December 2014
Notes	£'000	£'000
Equity as reported under previous UK GAAP	1,172	1,557
Adjustments arising from transition to FRS 102:		
FRS 102 SWAP Liability	(30,222)	(48,051)
Deferred tax	6,044	9,610
Equity reported under FRS 102	(23,006)	(36,884)

Reconciliation of profit or loss

	2014 £'000
Profit or loss as reported under previous UK GAAP and under FRS 102	385
As restated	385

TRANSFORM SCHOOLS (KNOWSLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

13 Reconciliations on adoption of FRS 102

(Continued)

Notes to reconciliations on adoption of FRS 102

SWAP Liability

The Company has elected to hedge account under FRS 102.

The above reconciliation reflects the movement in fair value adjustments of the Interest SWAP held by the Company.