WLHC Projectco Limited

Report and Financial Statements
For the year ended 31 March 2015

Company No. 7052846

Officers and professional advisers

Company registration number	7052846
Registered office	One London Wall London EC2Y YAB
Directors	A Waddington M Turnbull-Fox
Secretary	Galliford Try Secretariat Services Limited
Bankers	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
Auditor	PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ

Contents

Report of the directors

The directors submit their report and the audited financial statements for the year ending on 31 March 2015.

The directors have taken advantage of the small companies exemptions provided by Section 414B of the Companies Act 2006 and not prepared a Strategic Report.

Principal activities and business review

The Company was incorporated on 22 October 2009 and began trading on 29 January 2010. It has been established to enter into a Private Finance Initiative ("PFI") concession contract with Worcestershire County Council. The PFI contract involves the design, build and financing of the Worcester Library and History Centre in Worcester together with the provision of certain facilities management services within the building. The Project Agreement between the Company and Worcestershire County Council was signed on 29 January 2010.

As part of this contract, the Company entered into a fixed-price sub-contract with Galliford Try Construction Limited to design and build the facility. The construction of the library was completed on 27 January 2012.

The Company has also entered into a sub-contract with Bellrock Property & Facilities Management Limited for the provision of facilities management services within the library.

The PFI project is being financed by a combination of senior and subordinated debt. Senior debt facilities of approximately £38.4m, provided by the Nationwide Building Society and £4m of subordinated debt provide by equity shareholders, funded the construction of the library.

The library was handed over to Worcestershire County Council on 27 January 2012 and the term of the PFI contract is 25 years from this date. The Company began to receive service payments from Worcestershire County Council on 28 January 2012. The construction and other related costs of building are being treated as a financial asset which will be repaid over the life of the contract.

Key Performance Indicators

The key performance of the Company is monitored from a cash perspective. Now the construction of the library is complete and service payments are being received this will be assessed on a three monthly basis by the testing of the covenants of the senior debt provider. The key indicators are the debt service cover ratio and loan life cover ratio. During the construction phase the senior debt provider monitored the Company's expenditure against a budgeted profile. During the year the company performed in line with expectations.

Future developments

The directors do not anticipate any changes in the Company's activities.

Report of the directors (continued)

Results and dividends

The results for the year are set out on page 8. The loss for the year amounted to £46,161 (2014: £103,577). The directors do not recommend payment of a dividend in respect of the year.

Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

A Waddington (appointed 1 April 2015)
M Turnbull-Fox (appointed 1 April 2015)
J D Harris (resigned 1 April 2015)
M J Ryan (resigned 1 April 2015)

In accordance with the Company's Articles of Association, none of its directors are required to retire.

Statement of directors' responsibilities

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 period. 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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.

Report of the directors (continued)

Statement of disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as he is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD

A Waddington
Director

16 December 2015

Company Registration number 7052846

Registered office:
One London Wall
London
EC2Y 5AB

Independent auditors' report to the members of WLHC Projectco Limited

Report on the financial statements

Our opinion

In our opinion, WLHC Projectco Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss 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 Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2015;
- the profit and loss account 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).

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 Report of the directors' 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, 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.

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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 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.

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 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.

Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

Profit and loss account for the year ended 31 March 2015

	Note	2015 £	2014 £
Turnover		**1,481,049**	1,261,347
Cost of sales		**(1,079,213)**	(976,798)
Gross profit		**401,836**	284,549
Administration expenses		**(343,457)**	(240,897)
Operating profit	2	**58,379**	43,652
Net interest payable	3	**(104,540)**	(147,229)
Loss on ordinary activities before taxation		**(46,161)**	(103,577)
Taxation	4	**-**	-
Retained loss for the year	10	**(46,161)**	(103,577)

All activities are continuing.

The Company has no other gains and losses and therefore a Statement of Total Recognised Gains and Losses has not been prepared.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historic cost equivalents.

The accompanying notes on pages 10 to 17 are an integral part of this profit and loss account.

Balance sheet as at 31 March 2015

	Note	2015 £	2014 £
Current assets			
Financial asset - amounts falling due in more than one year	5	**36,046,644**	36,753,398
Financial asset - amounts falling due within one year	5	**706,328**	647,913
Debtors - amounts falling due within one year	6	**12,313**	135,989
Debtors - amounts falling due after more than one year	6	**240,000**	165,000
Cash at bank and in hand		**895,416**	593,825
		37,900,701	38,296,125
Current liabilities			
Creditors - amounts falling due within one year	7	**(1,606,493)**	(1,451,490)
Net current assets / (liabilities)		**36,294,208**	36,844,635
Total assets less current liabilities		**36,294,208**	36,844,635
Creditors - amounts falling due after more than one year	8	**(36,571,776)**	(37,076,042)
Net liabilities		**(277,568)**	(231,407)
Capital and reserves			
Called-up share capital	9	**10,000**	10,000
Profit and loss account	10	**(287,568)**	(241,407)
Total shareholders' deficit	11	**(277,568)**	(231,407)

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A Waddington
Director

The directors approved the financial statements on 16 December 2015.
The notes on pages 10 to 17 form part of these financial statements.

Registered Number: 7052846

The accompanying accounting policies and notes form part of these Annual report and financial statements.

Notes to the Financial Statements for the year ended 31 March 2015

1 Principal accounting policies

(a) Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

During the year, the Company made a loss of £46,162 (2014: £103,577) and at the balance sheet date, its liabilities exceeded its assets by £277,568 (2014: £231,407). The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements, for the following reasons:

- The directors have prepared and approved cash flow forecasts for the full contract term and based on this information the directors believe the Company will be able to meet all liabilities as they fall due.

The directors have thus formed the view that, at the time of approving the financial statements, the company will have adequate resources to continue in existence for the foreseeable future. Therefore the directors consider the adoption of the going concern basis in preparing the financial statements to be appropriate.

If the company were unable to continue in operation for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise. A summary of the more important accounting policies is set out below. All Accounting policies have been applied consistently, other that where new policies have been adopted.

(b) Cash flow statement

The Company is exempt from the requirement of FRS 1 (Revised) to prepare a cash flow statement as it is a small company by definition.

(c) Financial asset

Construction and related costs of building the library, including interest costs and other costs of funding, are being treated as a financial asset (contract debtor) under the terms of FRS 5 Application Note F – Private Finance Initiative and Similar Contracts. The financial asset will be repaid over the life of the contract as service income is received from Worcestershire County Council.

Upon becoming operational, the income derived from the PFI contract is allocated between the provision of the asset and the provision of the subsequent services. Upon acceptance of the constructed asset by Worcestershire County Council, the financial asset is amortised over the life of the contract against the relevant portion of the contracted income. The proportion of the financial asset to be amortised against contracted income receivable within one year is classified as a current asset and the remainder non current.

Notes to the Financial Statements for the year ended 31 March 2015

1 Principal accounting policies (continued)

(d) Deferred taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Deferred taxation has been recognised as a liability or asset if transactions have incurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

(e) Financial liabilities

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. Finance costs and gains or losses relating to financial liabilities are charged to the financial asset during the construction phase of the library and will be charged to the profit and loss account once construction of the library is complete. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

(f) Interest

Interest and other costs of funding are charged to the financial asset during the construction phase of the project and charged to the profit and loss account during the operational phase of the project.

Interest receivable on the financial asset is credited to the profit and loss account during the operational phase of the project.

2 Operating profit

None of the directors received any remuneration as directors from the Company during the year. The company has no directly employed personnel. The operating profit on ordinary activities is stated after charging auditor's remuneration of £9,200 (2014: £9,996). The Company also incurred £4,500 (2014: £5,500) of fees in respect of tax services.

3 Net interest payable and similar charges

	2015	2014
	£	£
Interest receivable on financial asset	**(2,742,350)**	(2,788,394)
Bank loan interest payable	**2,381,393**	2,462,592
Interest on loans from parent undertaking	**465,497**	473,031
	104,540	147,229

Notes to the Financial Statements for the year ended 31 March 2015

4 Taxation on loss on ordinary activities

The difference between the current taxation and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2015	2014
	£	£
Loss on ordinary activities before tax	**(46,161)**	(103,577)
Loss on ordinary activities at 21% (2014: 20%)	**9,694**	20,715
Effects of:		
Creation of unrecognised tax losses	**(9,694)**	(20,664)
Other permanent differences	**(-)**	(51)
Current tax charge for the year	**-**	-

The company has an unrecognised deferred tax asset of £57,539 (2014: £48,127) in respect of trading losses. The deferred tax asset has been calculated at the small companies' rate of 20% (2013: 20%). The deferred tax asset has not been recognised due to uncertainty over the company's ability to generate future taxable profits against which the losses can be utilised.

Notes to the Financial Statements for the year ended 31 March 2015

5 Financial asset

	2015	2014
	£	£
Cost		
At 1 April	**38,655,705**	38,655,705
At 31 March	**38,655,705**	38,655,705
Repayment		
Brought forward	**(1,254,394)**	(652,104)
Payment received during the year	**(648,339)**	(602,290)
At 31 March	**(1,902,733)**	(1,254,394)
Financial Asset	**36,752,972**	37,401,311
Financial asset - due for amortisation within one year	**706,328**	647,913
Financial asset - due for amortisation after one year	**36,046,644**	36,753,398
	36,752,972	37,401,311

6 Debtors

	2015	2014
	£	£
Amounts falling due within one year		
Trade debtors	**3,439**	112,202
Prepayments	**8,874**	23,787
	12,313	135,989
Amounts falling due after more than one year		
Amounts due from WLHC Holdco Limited	**240,000**	165,000

Amounts due from WLHC Holdco Limited are unsecured, with no fixed repayment date and no interest due. The Directors do not intend to call the amounts due from WLHC Holdco in the next 12 months which is why it has been classified as due after more than one year.

Notes to the Financial Statements for the year ended 31 March 2015

7 Creditors - amounts falling due within one year

	2015	2014
	£	£
Amounts falling due within one year		
Trade creditors	**150,629**	267,953
Accruals	**197,928**	102,062
VAT	**202,926**	202,307
Term loan	**874,277**	830,028
Amounts due to parent undertaking	**180,733**	49,140
	1,606,493	1,451,490

The amounts due to parent undertaking represent the £180,733 (2014: £49,140) of fixed rate subordinated loan notes received from WLHC Holdco Limited which fall due within one year, and the interest accrued on these as at 31 March 2015.

8 Creditors - amounts falling due after more than one year

	2015	2014
	£	£
Creditors - amounts falling due after more than one year		
Term loan	**31,391,074**	32,265,352
Unitary charge control account	**1,572,711**	1,131,582
Amounts due to parent undertaking	**3,471,827**	3,525,127
Deferred lifecycle income	**136,164**	153,981
	36,571,776	37,076,042

The term loan facility is provided by Nationwide Building Society. The term loan is repayable in instalments commencing on 30 June 2012 and ending on 30 June 2036.

Interest is charged on the term loan at a fixed rate. The fixed rate was 7.04% prior to actual completion of the library (the "Actual Completion Date"), 6.89% from the Actual Completion Date until the date falling 10 years after the Actual Completion Date, 6.99% from the date falling 10 years after the Actual Completion Date until the date falling 15 years after the Actual Completion Date and 7.04% thereafter. The loan is disclosed net of unamortised issue costs of £615,832.

The Company has received £3,987,904 in the form of fixed rate subordinated loan notes from WLHC Holdco Limited. The loan notes are split into two tranches, tranche A being £990,000 and tranche B £2,997,904. The loans are stated at amortised cost, using the effective interest rate method and are net of unamortised issue costs of £197,096 (2014: £202,764). Interest is payable on tranche A at a rate of 12.25% until the final redemption date of 26 January 2037. Interest was payable on tranche B at a rate of 6.14% until the Actual Completion Date (27 January 2012) and 12.25% from the Actual Completion Date (27 January 2012) until the final redemption date of 26 January 2037.

Notes to the Financial Statements for the year ended 31 March 2015

8 Creditors - amounts falling due after more than one year (continued)

The loan notes are unsecured, fully subordinated to the term loan and are repayable in instalments commencing on 30 September 2012 and ending on 26 January 2037.

The term loan is are secured by way of a fixed and floating charge over the assets of the company in favour of Nationwide Building Society (as security trustee).

The term loan and subordinated loan notes loan are repayable as follows:

	2015	2014
	£	£
Less than 1 year	1,055,010	879,166
Between one and two years	986,350	927,165
Between two and five years	3,257,481	3,102,015
After five years	30,619,070	31,761,301
	35,917,910	36,669,647

9 Called up share capital

	2015	**2014**
	£	**£**
Allotted, issued and fully paid		
10,000 ordinary shares of £1 each	**10,000**	10,000
	10,000	10,000

10 Reserves

Profit & loss account	**2015**	**2014**
	£	**£**
Opening balance	**(241,407)**	(137,830)
Retained loss for the year	**(46,161)**	(103,577)
Balance at 31 March	**(287,568)**	(241,407)

Notes to the Financial Statements for the year ended 31 March 2015

11 Reconciliation of movement in shareholders' deficit

	2015	2014
	£	£
Opening shareholders' deficit	**(231,407)**	(127,830)
Loss for the year	**(46,161)**	(103,577)
Closing shareholders' deficit	**(277,568)**	(231,407)

12 Financial risk management objectives and policies

Financial risk management objectives and policies
Due to the nature of the Company's business, the only financial risks the directors consider relevant to this Company are interest rate and liquidity risk. The credit risks are not considered significant as the client is a governmental organisation.

Interest rate risk
The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Company entered into fixed rate debt products to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Liquidity risk
The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

13 Related party transactions

As the company is a wholly owned subsidiary it has taken advantage of the FRS8 exemption and is therefore not required to disclose related party transactions.

14 Immediate and ultimate parent undertaking

The Company is a wholly owned subsidiary of WLHC Holdco Limited which is incorporated in Great Britain and registered in England. Copies of WLHC Holdco Limited financial statements can be obtained from One London Wall, London, EC2Y YAB.

In the opinion of the directors, the ultimate parent undertaking and controlling party is DIF Infrastructure II BV.