

Hull Esteem Consortium Projectco1 Limited
Annual Report and Financial Statements
31 December 2015

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Hull Esteem Consortium Projectco1 Limited

Annual Report and Financial Statements

Year Ended 31 December 2015

Contents	Page
Officers and Professional Advisers	1
Directors' Report	2
Directors' Responsibilities Statement	4
Independent Auditors' Report to the Members	5
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

Hull Esteem Consortium Projectco1 Limited

Officers and Professional Advisers

The Board of Directors

A Clapp
R A Cawkwell
D A Leedham
J McDonagh

Company Secretary

Infrastructure Managers Limited

Registered Office

Cannon House
78 Cannon Street
London
EC4N 6AF

Auditor

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Chartered Accountants & Statutory Auditors
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Bankers

Cooperative Bank
Structure & Asset Finance
1 Balloon Street
Manchester
M60 4EP

Hull Esteem Consortium Projectco1 Limited

Directors' Report

Year Ended 31 December 2015

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

Principal Activities

The principal activity of the company during the year was to operate as a special vehicle involved in the construction and operation of the Winifred Holtby School and Tweedykes School in Hull

Performance Review

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance are given in note 19.

The profit for the year, after taxation, amounted to £77,116 (2014: £7,776)

The profit for the year will be transferred to reserves

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

Key performance indicators

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

Directors

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

A Clapp	
R A Cawkwell	
D A Leedham	
J McDonagh	
A P Fordyce	(Resigned 15 April 2015)

Dividends

The directors do not recommend the payment of a dividend

Financial Instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi 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. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Cash Flow and Liquidity risk

Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Hull Esteem Consortium Projectco1 Limited

Directors' Report *(continued)*

Year Ended 31 December 2015

Change of Company Secretary

C Sheridan resigned as Company Secretary on 29 February 2016
Infrastructure Managers Limited were appointed as Company Secretary on 29 February 2016

Small Company Provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small company regime

This report was approved by the board of directors on 30/06/16 and signed on behalf of the board by



Infrastructure Managers Limited
Company Secretary

Hull Esteem Consortium Projectco1 Limited

Directors' Responsibilities Statement

Year Ended 31 December 2015

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

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

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

The Directors' Responsibilities were approved by the board on 30/6/16 and signed on its behalf by



A D Clapp

Director

Hull Esteem Consortium Projectco1 Limited

Independent Auditors' Report to the Members of Hull Esteem Consortium Projectco1 Limited

Year Ended 31 December 2015

We have audited the financial statements on pages 7 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'.

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 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.

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.

Hull Esteem Consortium Projectco1 Limited

Independent Auditors' Report to the Members of Hull Esteem Consortium Projectco1 Limited *(continued)*

Year Ended 31 December 2015

Matters on Which We are Required to Report by Exception

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

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

1/7/16

Hull Esteem Consortium Projectco1 Limited

Statement of Comprehensive Income

Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover	4	1,512,086	1,419,465
Cost of sales		(1,293,469)	(1,203,598)
Gross profit		218,617	215,867
Administrative expenses		(214,073)	(303,686)
Operating profit/(loss)		4,544	(87,819)
Other interest receivable and similar income	7	3,520,252	3,571,784
Interest payable and similar charges	8	(3,428,263)	(3,475,162)
Profit on ordinary activities before taxation		96,533	8,803
Tax on profit on ordinary activities	9	(19,417)	(1,027)
Profit for the financial year and total comprehensive income		77,116	7,776

All the activities of the company are from continuing operations

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

Hull Esteem Consortium Projectco1 Limited

Statement of Financial Position

As at 31 December 2015

	Note	2015 £	2014 £
Current assets			
Debtors due within one year	10	1,807,192	1,609,339
Debtors due after more than one year	10	43,812,694	44,729,988
Cash at bank and in hand		1,842,845	2,216,844
		<u>47,462,731</u>	<u>48,556,171</u>
Creditors: amounts falling due within one year	11	(5,565,621)	(5,527,620)
Net current assets		<u>41,897,110</u>	<u>43,028,551</u>
Total assets less current liabilities		<u>41,897,110</u>	<u>43,028,551</u>
Creditors: amounts falling due after more than one year	12	(41,837,160)	(43,046,756)
Provisions			
Taxation including deferred tax	14	(1,039)	–
Net assets/(liabilities)		<u>58,911</u>	<u>(18,205)</u>
Capital and reserves			
Called up share capital	15	2,499	2,499
Retained earnings	16	56,412	(20,704)
Shareholders funds/(deficit)		<u>58,911</u>	<u>(18,205)</u>

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime

These financial statements were approved by the board of directors and authorised for issue on 30/6/16, and are signed on behalf of the board by



A D Clapp
Director

Company registration number 07099748

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

Hull Esteem Consortium Projectco1 Limited

Statement of Changes in Equity

Year Ended 31 December 2015

	Called up share capital £	Retained earnings £	Total £
At 1 January 2014	2,499	(28,480)	(25,981)
Profit for the year		7,776	7,776
Total comprehensive income for the year	–	7,776	7,776
At 31 December 2014	2,499	(20,704)	(18,205)
Profit for the year		77,116	77,116
Total comprehensive income for the year	–	77,116	77,116
At 31 December 2015	2,499	56,412	58,911

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

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements

Year Ended 31 December 2015

1. Statement of Compliance

The individual financial statements of Hull Esteem Consortium Projectco1 Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the requirements of the Companies Act 2006 and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities

2 General Information

Hull Esteem Consortium Projectco1 Limited ('the Company') is a limited company incorporated and domiciled in the UK. The address of its registered office is Cannon House, 78 Cannon Street, London EC4N 6AF

The principal activity of the company during the year was to operate as a special vehicle involved in the construction and operation of the Winifred Holtby School and Tweedykes School in Hull

The company's functional and presentation currency is the pound sterling

3 Accounting Policies

Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires 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 accounting policies stated below have been consistently applied to the years presented, unless otherwise stated

First time adoption of FRS102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 19

Some of the FRS102 recognition, measurement and presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS102

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS102, permitted by Chapter 35 of FRS102, "Transition to this FRS". Adjustments are recognised directly in retained earnings at the transition date

Disclosure exemptions

The company has taken advantage of the exemption in accordance with FRS 102 Section 7 'Statement of Cash Flows' part 1B, which states that a small company is not required to prepare a Statement of Cash Flow and related notes and disclosures

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting Policies *(continued)*

Judgements and key sources of estimation uncertainty

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

Significant judgements

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

Income taxation

Current taxation

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

Deferred taxation

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

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

Accounting for service concession arrangements

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

Revenue recognition

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

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3 Accounting Policies *(continued)*

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

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

ii) Deferred tax

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

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the statement of comprehensive income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability. Deferred tax is not discounted.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

Cash and cash equivalents

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

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3 Accounting Policies *(continued)*

Finance debtor

The company has taken the transition exemption in FRS 102 Section 35 10(i) that allows the company to continue the service concession arrangement accounting policies from previous UK GAAP

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

4. Turnover

Turnover arises from

	2015 £	2014 £
Rendering of services	<u>1,512,086</u>	<u>1,419,465</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom

5. Profit on Ordinary Activities Before Tax

	2015 £	2014 £
Fees payable for the audit of the financial statements	<u>29,230</u>	<u>26,900</u>
Fees payable to the company's auditor and its associates for other services		
Taxation advisory services	<u>5,555</u>	<u>4,625</u>

Included in the fee above is £14,980 (2014 £13,680) for the provision of audit services and £1,575 (2014 £1,375) for tax advisory services of the immediate parent entity Hull Esteem Consortium Holdco1 Limited and its related parties, Hull Esteem Consortium Debtco Limited and Hull Esteem Consortium PSP Limited

6. Particulars of Employees and Directors

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

7. Other Interest Receivable and Similar Income

	2015 £	2014 £
Interest on cash and cash equivalents	2,030	484
Finance debtor interest receivable	<u>3,518,222</u>	<u>3,571,300</u>
	<u>3,520,252</u>	<u>3,571,784</u>

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

8. Interest Payable and Similar Charges

	2015 £	2014 £
Interest on bank loans and overdrafts	2,763,496	2,848,864
Interest due to Group undertakings	531,607	542,251
Interest payable to immediate parent company	59,068	60,247
Other interest payable and similar charges	74,092	23,800
	<u>3,428,263</u>	<u>3,475,162</u>

9 Tax on Profit on Ordinary Activities

Major components of tax expense

	2015 £	2014 £
Current tax		
UK current tax expense	18,378	5,729
Deferred tax:		
Origination and reversal of timing differences	1,039	(4,702)
Tax on profit on ordinary activities	<u>19,417</u>	<u>1,027</u>

Reconciliation of tax expense

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

	2015 £	2014 £
Profit on ordinary activities before taxation	96,533	8,803
Profit on ordinary activities by rate of tax	19,545	1,892
Changes in tax rates	(128)	(865)
Tax on profit on ordinary activities	<u>19,417</u>	<u>1,027</u>

Factors that may affect future tax expense

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

This change has reduced the deferred tax asset at the balance sheet date by £1,039.

In his Budget speech on 16 March 2016 the Chancellor of the Exchequer proposed that the above UK corporation tax rate of 18% effective from 1 April 2020 be further reduced to 17%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. If enacted, the change would reduce the deferred tax asset at the balance sheet by £519.

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

10. Debtors

Debtors falling due within one year are as follows

	2015 £	2014 £
Trade debtors	21,200	15,600
Amounts owed by Group undertakings	718,630	683,662
Deferred tax asset	11,541	11,541
Prepayments and accrued income	30,318	23,009
Corporation tax repayable	116,841	42,493
Finance debtor	908,662	833,034
	<u>1,807,192</u>	<u>1,609,339</u>

Debtors falling due after one year are as follows

	2015 £	2014 £
Finance debtor	<u>43,812,694</u>	<u>44,729,988</u>

The movement in the finance debtor is analysed as follows

	2015 £	2014 £
At beginning of year	45,563,022	46,334,350
Repayments	(841,666)	(771,328)
At end of year	<u>44,721,356</u>	<u>45,563,022</u>

11 Creditors' amounts falling due within one year

	2015 £	2014 £
Bank loans and overdrafts	1,193,031	1,133,914
Trade creditors	262,754	166,060
Amounts owed to group undertakings	563,900	546,982
Accruals and deferred income	702,770	1,241,013
Social security and other taxes	232,617	379,207
Other creditors	2,610,549	2,060,444
	<u>5,565,621</u>	<u>5,527,620</u>

Amounts due to group undertakings includes accrued interest of £145,791 (2014 £150,239) in respect of loan notes issued. The Company issued £4,625,144 of unsecured loan stock on 4 March 2010. The loan stock is subscribed for by Hull Esteem Consortium Debtco Limited, Hull Esteem Consortium Holdco1 Limited and Dalmore Capital (Para 1) Limited. Interest is charged on the loan notes at 12% and is payable semi-annually in March and September. The loan notes are repayable in instalments, also semi-annually in March and September, with final repayment due in March 2036.

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

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

	2015 £	2014 £
Bank loans and overdrafts	37,177,578	38,161,410
Amounts owed to group undertakings	4,659,582	4,885,346
	<u>41,837,160</u>	<u>43,046,756</u>

Senior debt relates to a facility provided by The Co-operative Bank and Nationwide Building Society, secured by a first legal charge over the assets of the Company and by guarantees provided by fellow group undertakings. The total of the loan drawn as at 31 December 2015 was £39,009,367 (2014 £40,143,281). The facility is repayable semi-annually in March and September on an agreed profile, with the final repayment falling due on 30 September 2035. Interest is also payable semi-annually in March and September and is charged at a fixed rate of 6.96% per annum.

Issue costs of £695,250 (2014 £803,470) have been set off against total senior debt, and £66,236 (2014 £89,901) in respect of the loan stock.

13. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	2015 £	2014 £
Included in debtors (note 10)	11,541	11,541
Included in provisions (note 14)	(1,039)	—
	<u>10,502</u>	<u>11,541</u>

	2015 £
Opening balance	11,541
Movement through the profit or loss	(1,039)
Closing balance	<u>10,502</u>

14. Provisions

	Deferred tax (note 13) £
Deferred tax	1,039
At 31 December 2015	<u>1,039</u>

15. Called Up Share Capital

Issued, called up and fully paid

	2015 No	£	2014 No	£
Ordinary shares of £1 each	<u>2,499</u>	<u>2,499</u>	<u>2,499</u>	<u>2,499</u>

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

16. Reserves

Retained earnings - This reserve records retained earnings and accumulated losses

17. Related Party Transactions

The company is wholly owned by Hull Esteem Consortium Holdco1 Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group

The directors consider the material transactions undertaken by the Company during the year with related parties were as follows

Name of Party	Relationship	Nature of transaction	Transaction amount during the year ended 31 Dec 15	Amount owed (to)/by related party as at 31 Dec 15	Transaction amount during the year ended 31 Dec 14	Amount owed (to)/by related party as at 31 Dec 14
			£	£	£	£
Hull Esteem Consortium Holdco1 Limited	100% parent company	Loan	9,051	(487,306)	9,742	(496,715)
		Interest payable	(59,067)	(14,579)	(60,247)	(15,024)
Hull Esteem Consortium Debtco Limited	100% Subsidiary of Hull Esteem Consortium PSP Limited	Loan	81,464	(4,385,751)	78,911	(4,023,396)
		Interest payable	(478,446)	(131,212)	(488,008)	(121,694)
Hull Esteem Consortium LEP Limited	51% Parent of Hull Esteem Consortium Holdco1 Limited	Provision of goods and services	74,296	-	(74,863)	-
Morgan Sindall plc	Ultimate parent of Morgan Sindall Investments Limited, 1% owner of 33.3% JV parent of Hull Esteem Consortium PSP Limited	Provision of goods and services	-	-	(237,870)	(306,227)
		Receipt of goods and services	-	-	4,666	5,599
Dalmore Capital (Para 1) Limited	Shareholder in parent company	Loan	-	-	8,768	(433,460)
		Interest receivable			(54,224)	(13,521)
Kingston Upon Hull City Council	10% shareholding in Hull Esteem Consortium LEP Limited	Receipt of goods and services	6,422,079	696,488	6,899,407	678,063

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

18. Controlling Party

The immediate parent undertaking is Hull Esteem Consortium Holdco1 Limited

The ultimate parent is Hull Esteem Consortium PSP Limited. It is the parent undertaking of the largest and smallest group for which financial statements are prepared. Copies of Hull Esteem Consortium PSP Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. Hull Esteem Consortium PSP Limited is a jointly owned company with no ultimate controlling party. No one company has overriding control of this Hull Esteem Consortium PSP Limited.

Hull Esteem Consortium Projectco1 Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

19. First Time Adoption of Frs102

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

Profit for the financial year		31 December 2014	
		£	
UK GAAP - As previously reported			26,582
Effective Interest Rate adjustment on Bank loans	A		(23,508)
Deferred tax impact of adjustments	B		
- Effective Interest Rate adjustment on Bank loans			4,702
Total Adjustment to profit for the financial year			(18,806)
FRS 102			<u>7,776</u>

Total Equity		1 January 2014	31 December 2014
		£	£
UK GAAP - As previously reported		1,376	27,958
Effective Interest Rate adjustment to bank loans	A	(34,196)	(57,704)
Deferred taxation	B	6,839	11,541
FRS 102		<u>(25,981)</u>	<u>(18,205)</u>

A Effective Interest Rate Adjustment to bank loans

Under FRS 102, debt instruments must be recorded at amortised cost using the effective interest method, previously finance costs were allocated over the term of the instrument on a straight line basis. On transition the Loans were increased by £34,196 with a further £23,508 charge recognised in the profit and loss account for the year ended 31 December 2014.

B Deferred Taxation

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

Effective Interest Rate adjustment to bank loans - Deferred tax of £6,839 has been recognised at 20% of the adjustment. The deferred tax balance will be amortised on a straight line basis over a 10 year period as required by the Change of Accounting Practice regulations set out by HMRC.