Company Registration No: NI054742

Bangor and Nendrum Schools Services Limited

Directors' Report and Financial Statements

Year ended 31 December 2019

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Directors' Report and Financial Statements 2019

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Officers and professional advisers

Directors:	J Gordon L McKenna A Mills D W Davies
Auditor:	Johnston Carmichael LLP 7 - 11 Melville Street Edinburgh EH3 7PE
Bankers:	HSBC City of London Branch 60 Queen Victoria Street London EC4N 4TR
Registered Office:	c/o Cleaver Fulton Rankin 50 Bedford Street Belfast BT2 7FW
Solicitors:	Pinsent Masons Belfast LLP The Soloist Building 1 Lanyon Place Belfast BT1 3LP

Directors' Report

The directors present their report with the audited financial statements for the year ended 31 December 2019.

Principal activity

The Company's principal activity is the design, construction, financing, operation and maintenance of two secondary schools under a Government Private Finance Initiative (PFI) program for the benefit of the Education Authority in Northern Ireland.

The construction of both schools was completed in 2008 and Nendrum College was handed over on 29 February 2008 and Bangor Academy and Sixth Form College was handed over on 30 April 2008. The contract has now entered the 30 year service delivery period which lasts until 2038.

COVID-19

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the Coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent' company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Results and dividends

The Statement of Comprehensive Income is set out on page 7. Dividends during the year amounted to £213,046 (2018: £149,718).

Directors

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

J Gordon
L McKenna
A Mills
D W Davies

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the director has taken all the steps that he/she ought to have taken as a director in order to make himself /herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Directors' Report (continued)

Auditor

The Board recommend that Johnston Carmichael LLP continues in office as auditor to the Company.

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

Approved by the Board and signed on its behalf by:

A Mills
Director
Date : 26 ·05 ·20

Statement of directors' responsibilities

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;

- make judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Bangor and Nendrum Schools Services Limited

Opinion

We have audited the financial statements of Bangor and Nendrum School Services Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Bangor and Nendrum Schools Services Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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

- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors
As explained more fully in the Statement of Directors' responsibilities statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the members of Bangor and Nendrum Schools Services Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.

Johnston Carmichael LLP

Mr Grant Roger (Senior Statutory Auditor) 27 May 2020
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
7 - 11 Melville Street
Edinburgh
EH3 7PE

Bangor and Nendrum Schools Services Limited
Statement of Comprehensive Income
for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover		1,879,318	1,913,240
Cost of sales		(1,309,348)	(1,351,629)
Gross profit		569,970	561,611
Administrative expenses		(289,186)	(297,597)
Operating profit		280,784	264,014
Finance income / investment income	3	1,881,627	1,938,480
Finance costs	4	(1,911,232)	(1,953,417)
Profit before taxation	5	251,179	249,077
Tax on profit	6	(48,375)	(50,058)
Profit after taxation and profit for the financial year		202,804	199,019
Other comprehensive income			
Fair value (losses)/gains on interest rate swaps		(499,314)	1,221,969
Deferred tax arising on fair value (losses)/gains		84,883	(207,735)
Total comprehensive income for the year		(211,627)	1,213,253

All amounts relate to continuing operations.

The notes on pages 10 - 20 form part of the financial statements.

Bangor and Nendrum Schools Services Limited
Statement of Financial Position
31 December 2019

	Notes	2019 £	2018 £
Current assets			
Debtors: due within one year	8	765,890	991,088
Debtors: due after more than one year	8	28,700,513	29,483,070
Cash at bank		2,640,396	2,321,750
		32,106,799	32,795,908
Creditors: amounts falling due within one year	9	(1,561,514)	(1,272,293)
Net current assets		30,545,285	31,523,615
Creditors: amounts falling due after more than one year	10	(38,488,222)	(39,041,879)
Net liabilities		(7,942,937)	(7,518,264)
Equity			
Called up share capital	12	154,642	154,642
Profit and loss account	12	47,335	57,577
Cash flow hedge reserve	12	(8,144,914)	(7,730,483)
Shareholders' deficit		(7,942,937)	(7,518,264)

These financial statements have been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

A Mills
Director

Date: 26/05/20

Bangor and Nendrum Schools Services Limited
Statement of Changes in Equity
31 December 2019

	Share capital £	Profit and loss account £	Cash flow hedge reserve £	Total £
Balance as at 1 January 2018	154,642	8,276	(8,744,717)	(8,581,799)
Profit for the year	-	199,019	-	199,019
OTHER COMPREHENSIVE INCOME: Change in fair value of interest swap contracts	-	-	1,221,969	1,221,969
Deferred taxation arising on interest rate swap	-	-	(207,735)	(207,735)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	199,019	1,014,234	1,213,253
Transactions with owners in their capacity as owners: Dividends paid	-	(149,718)	-	(149,718)
TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	-	(149,718)	-	(149,718)
Balance as at 31 December 2018	154,642	57,577	(7,730,483)	(7,518,264)
Profit for the year	-	202,804	-	202,804
OTHER COMPREHENSIVE INCOME: Change in fair value of interest swap contracts	-	-	(499,314)	(499,314)
Deferred taxation arising on interest rate swap	-	-	84,883	84,883
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	202,804	(414,431)	(211,627)
Transactions with owners in their capacity as owners: Dividends paid	-	(213,046)	-	(213,046)
TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	-	(213,046)	-	(213,046)
Balance as at 31 December 2019	154,642	47,335	(8,144,914)	(7,942,937)

Notes to the financial statements
for the year ended 31 December 2019

1. Accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the current and preceding year, is set out below.

General information

Bangor and Nendrum Schools Services Limited ("the company") is a private Limited company domiciled and incorporated in Northern Ireland. The address of its registered office and principal place of business is 50 Bedford Street, Belfast, BT2 7FW. The company's principal activity and nature of its operations can be found in the Directors' report on page 2.

Basis of preparation

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, including the historical cost convention, modified to include certain derivative financial instruments at fair value.

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 £.

Going concern

The Company's business activities are detailed in the Directors' Report. The Directors have reviewed the budget for the foreseeable future, and have considered the projected cash flows based on the contractual receipts and payments of cash. They project that the loan covenant terms will be met until the loan is repaid in full. The effect of the cash flow hedge reserve on the company's equity is recognised by the Directors and the Shareholder's Deficit of £7,942,937 (2018: £7,518,264) at the year end. Having considered the risks and uncertainties of the business, their projections for the future performance of the Company, and the current uncertain economic environment, 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 financial statements.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Company's operating cash inflows are largely dependent on unitary charge receipts receivable from The Education Authority in Northern Ireland and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of its main subcontractors and reviewed the contingency plans of the subcontractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Company or its subcontractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

Notes to the financial statements (continued)
for the year ended 31 December 2019

1. Accounting policies (continued)

Turnover and long term contracts

The project agreement with the Education Authority in Northern Ireland provides for the charging of a unitary fee from the date the schools are made available until the end of the service delivery agreement. The unitary fee is fixed subject to performance and inflation indexation.

During the construction phase, construction costs incurred are recorded as cost of sales. Turnover is also recognised in relation to the construction work performed. The turnover recognised is included within the financial asset' described below. If construction costs are forecast to exceed amounts which can be subsequently recovered, a loss is recognised as soon as this is foreseen.

Amounts recoverable on long-term contracts, which are included in debtors, represent future amounts due over the life of the service delivery contract for the fair value of the construction work on the schools. This financial asset comprises the construction turnover recognised up to the reporting date, other directly attributable costs, interest on loan facilities used to finance the construction less amounts collected to date.

Interest is recorded on the financial asset at a constant rate based on the carrying amount.

The unitary fee charged is split between services provided (which is recorded as turnover), collection of the financial asset, payment of interest on the financial asset and deferred income.

Turnover in relation to both construction and services provided is recorded net of VAT and arises entirely in the UK.

Turnover recognition

Turnover represents the service share of the management services income received by the Company for the provision of a PFI (Private Finance Initiative) asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor and reimbursement of finance debtor over the life of the contract.

Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares
- Section 7 ' Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit and loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel

The company is entitled to small companies exemption, by virtue of S414B of the Companies Act 2006, in relation to preparing a strategic report as it would be so entitled but for being a member of an ineligible group.

Notes to the financial statements (continued)
for the year ended 31 December 2019

Reduced disclosures (continued)

The financial statements of the Company are consolidated in the financial statements of Bangor and Nendrum Schools Services Holdings Limited. The consolidated financial statements of Bangor and Nendrum Schools Services Holdings Limited are available from its registered office, 50 Bedford Street, Belfast, BT2 7FW.

Capital instruments

Share capital is included in shareholder's funds. Debt instruments, which contain an obligation to repay, are classified as liabilities. These liabilities are recognised at amortised cost net of any transaction costs. Interest is calculated using the effective interest rate method. Finance costs calculated in accordance with this policy are recognised in the Statement of Comprehensive Income.

Financial instruments

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

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

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments 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.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade creditors and other payables

Trade creditors and others payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Dividends

Dividends to the Company's ordinary shareholders are recognised in the financial statements when the amount has been agreed by the Board of Directors and the Company's senior debt provider.

Notes to the financial statements (continued)
for the year ended 31 December 2019

Derivatives

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

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

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

- the interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;

- the hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and

- the change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

Cash 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.

Cash flow hedge - hedge of variable interest rate risk

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

Net cash settlements on the interest rate swap are recognised in the Statement of Comprehensive Income in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to the Statement of Comprehensive Income when the variable rate interest is recognised in the Statement of Comprehensive Income.

Notes to the financial statements (continued)
for the year ended 31 December 2019

Cash flow hedge - hedge of variable interest rate risk (continued)

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

Borrowings

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

Finance debtor

The company has taken the transition exemption in FRS102 Section 35.10(i) that allows the company to continue the service concession arrangement accounting policies from previous UK GAAP.

2. Critical accounting estimates and areas of judgement

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

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

- The Company has entered into an interest rate swap agreement under the bank loan which expires in May 2037. The fair value of the interest rate swap is calculated by discounting the future cash flows of both the fixed rate and variable rate interest payments, and provided from broker quotes.

- The directors have considered the interest rates applied to the subordinated loan stock and consider these to be at a market rate of interest.

3. Finance income / investment income

	2019 £	2018 £
Interest on finance debtor	1,866,473	1,931,138
Interest received on cash at bank	15,154	7,342
	1,881,627	1,938,480

Notes to the financial statements (continued)
for the year ended 31 December 2019

4. Finance costs

	2019 £	2018 £
Bank interest payable	1,547,861	1,583,072
Other interest payable	343,505	349,916
Amortisation of debt issue costs	19,866	20,429
	1,911,232	1,953,417

5. Operating profit

Employee costs

The Company had no employees in the year other than the Directors (2018: nil).

The Directors did not receive any remuneration from the Company during the year (2018: £nil). Fees of £11,622 (2018: £11,313) were charged by the shareholders for services provided by the Directors during the year.

Qualifying third party indemnity provisions

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Furthermore Schools Capital Limited and Dalmore Capital (Para 1) Limited maintain liability insurance for its directors and officers and those of its directors and officers of its associated companies.

The company has not made a qualifying third-party indemnity provision for the benefits of its directors during the year.

Auditor's remuneration

Auditor's remuneration for the audit was £6,700 payable to Johnston Carmichael LLP (2018: £6,200).

Auditor's remuneration for tax services was £2,800, payable to Johnston Carmichael LLP (2018: £2,750).

6. Taxation

(a) Analysis of charge in the year

	2019 £	2018 £
Current tax		
UK corporation tax on profits in the year	48,375	50,058
Total current tax	48,375	50,058
Deferred tax		
Origination and reversal of timing differences	-	-
Tax charge for the year	48,375	50,058

Notes to the financial statements (continued)
for the year ended 31 December 2019

6. Taxation on profit (continued)

(b) Factors affecting tax charges for the year

The tax assessed for the year differs to the standard rate of tax applicable to companies in Northern Ireland of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £	2018 £
Profit before tax	251,179	249,077
Profit multiplied by the standard rate of corporation tax in Northern Ireland of 19.00% (2018: 19.00%)	47,724	47,325
Adjustment in respect of prior year	-	2,733
Other adjustments affecting tax	651	-
Tax charge for the year	48,375	50,058

7. Dividends

The Directors and senior debt providers approved dividends of £213,046 (2018: £149,718) during the year.

8. Debtors

	2019 £	2018 £
Amounts recoverable on long-term contracts: due within one year	746,391	975,177
Trade debtors	-	4,200
Prepayments and accrued income	19,499	11,711
Debtors due within one year	765,890	991,088
Amounts recoverable on long-term contracts: due after more than one year	27,032,278	27,899,718
Deferred tax	1,668,235	1,583,352
Total debtors	29,466,403	30,474,158

The major deferred tax liabilities and assets recognised by the Company are:

Deferred tax liabilities:

	2019 £	2018 £
Assets measured at fair value	1,668,235	1,583,352

Notes to the financial statements (continued)
for the year ended 31 December 2019

9. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank loans (note 10)	1,005,268	847,987
Other loans (note 10)	72,233	65,167
Trade payables	-	-
Corporation tax	6,360	15,798
Other taxation and social security	172,311	137,583
Accruals and deferred income	305,342	205,758
	1,561,514	1,272,293

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

	2019 £	2018 £
Other loans	2,724,987	2,783,506
Bank loans	25,950,086	26,944,538
Fair value of derivative contract (see note 13)	9,813,149	9,313,835
	38,488,222	39,041,879

In accordance with FRS102, issue costs of £201,394 (2018: £221,261) have been set off against the total loan drawdowns. The amount set off against loans falling due within one year is £20,195 (2018: £20,823) and after more than one year is £181,199 (2018: £200,438).

Maturity of debt

	2019 £	2018 £
The loans (stated net of unamortised issue costs) are repayable as follows:		
Due one year or less (note 9)	1,077,501	913,154
Due between one and two years	1,228,640	1,063,786
Due between two and five years	4,577,462	4,187,162
Due in more than five years	22,868,971	24,477,096
	29,752,574	30,641,198

Notes to the financial statements (continued)
for the year ended 31 December 2019

10. Creditors: amounts falling due after more than one year (continued)

Bank loans

The bank loans comprise senior debt. The senior debt consists of a loan that is repayable by May 2037 with principal repayments on the loan which commenced in December 2008.

The amount of the senior debt loan drawdown as at 31 December 2019 is £27,070,933 (2018: £27,934,909), with £1,020,729 (2018: £863,976) falling due within one year and £26,050,204 (2018: £27,070,933) after more than one year. The interest rate on the loan is fixed at 5.52% per annum until September 2017, 5.57% from October 2017 to September 2027 and 5.67% from October 2027 until September 2037. These interest rates are fixed through the use of a swap.

The bank loan is secured by floating charges over all the assets, rights and undertakings of the Company.

Loan issue costs

Cost associated with the issue of loans are capitalised and netted off against the loan amount in the balance sheet. The finance cost of debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Other loans

Other loans comprise Subordinated Secured Loan Notes 2037 (the "loan notes").

The loan notes carry a coupon of 12.0% and interest is paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December each calendar year.

Providing certain defaults are not made by the Company, the loan notes are due for repayment on the termination of the service delivery contract. As such the loan notes have been classified in debt due in more than five years. Part or all of the loan notes can be redeemed earlier at the option of the Company.

The terms of the loan notes state that payments of interest and repayments of the loan principal are only to made if sufficient funds are available to avoid a breach of covenants in the Company's banking facilities and whilst the Company is not in the process of a liquidation or other such winding-up proceedings. No such covenant breaches have occurred during the current or prior year.

The loan notes are secured by floating charges over all the assets, rights and undertakings of the Company.

Notes to the financial statements (continued)
for the year ended 31 December 2019

11. Deferred taxation

The deferred tax included in the Balance sheet is as follows :

	2019 £	2018 £
Included in debtors (note 8)	**1,668,235**	1,583,352

The movement in the deferred tax account during the year was:

	2019 £	2018 £
Balance brought forward	**1,583,352**	1,791,087
Profit and loss movement during the year	**84,883**	(207,735)
Balance carried forward	**1,668,235**	1,583,352

12. Share capital and reserves

Allotted, called up and fully paid	2019 £	2018 £
154,642 ordinary shares of £1 each	**154,642**	154,642

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Reserves of the company represent the following:

Statement of comprehensive income

Cumulative profit and loss net of distribution to owners.

Cash flow hedge reserve

Gains and losses arising on fixed to floating interest rate swaps which have been designated as hedges for hedge accounting purposes including the associated deferred tax.

13. Controlling party

The Company has no ultimate controlling party. The immediate parent company is Bangor and Nendrum Schools Services Holdings Limited, registered in Northern Ireland at 50 Bedford Street, Belfast, BT2 7FW.

Notes to the financial statements (continued)
for the year ended 31 December 2019

14. Financial instruments

Interest rate swaps

The fair values of the Company's derivatives are as follows:

	Principal		Fair value	
	2019	2018	2019	2018
	£	£	£	£
Interest rate swap contracts	27,070,932	27,934,908	(9,813,149)	(9,313,835)

The Company uses derivatives to manage the exposure to interest rate movements on its senior debt. The fair values are based on market values of equivalent instruments at the balance sheet date.

The interest rate swap contracts have fixed interest receipts at an average rate of 4.8% over the life of the swap contracts, which terminate on 30 June 2037, and have floating interest payments at LIBOR.

The fair value of interest rate swaps are determined using the forward curve for 3 Month GBP LIBOR.

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies on page 13.

15. Related party transactions

At 31 December 2019 an amount of £1,420,758 (2018: £1,492,232) was owed to Schools Capital Limited (which owned 40% of the Company's parent company) and £1,420,758 (2018: £1,492,232) was owed to Dalmore Capital (Para 1) Limited (which owns 60% of the Company's parent company). Both of the above relate to amounts of the Company's loan notes held and interest payable.

During the year the company incurred interest on the loan notes held by Schools Capital Limited and Dalmore Capital (Para 1) Limited totalling £343,505 (2018: £349,916).

16. Post balance sheet event

The COVID-19 pandemic continues to cause significant impact to the UK's economy. However, the Company has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project remains fully operational.