

Lagan College Education Partnership (Holdings) Limited
Financial Statements
31 December 2015



Lagan College Education Partnership (Holdings) Limited

Financial Statements

Year ended 31 December 2015

| Contents | Pages |
|---|-----------------|
| Strategic report | 1 to 2 |
| Directors' report | 3 |
| Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements | 4 |
| Independent auditor's report to the members of Lagan College Education Partnership (Holdings) Limited | 5 to 6 |
| Consolidated profit and loss account and statement of other comprehensive income | 7 |
| Consolidated balance sheet | 8 |
| Company balance sheet | 9 |
| Consolidated statement of changes in equity | 10 |
| Company statement of changes in equity | 11 |
| Notes to the financial statements | 12 to 22 |

Lagan College Education Partnership (Holdings) Limited

Strategic Report

Year ended 31 December 2015

Principal activities and business review

The principal activity of the company is that of a holding company with a single subsidiary, Lagan College Education Partnership Limited.

The principal activity of the group is the provision of operational and maintenance services for Lagan College, in accordance with a project agreement entered into with the Governing Body of the Board of Governors of Lagan College.

The college became fully operational on 27 August 2013. The group is currently operating the facility for a 25 year period, providing a full range of facilities management services under a contractual agreement that provides a regular income stream which is subject to deductions for service shortfalls and the unavailability of the facility.

The group operates in a PFI market under strict contractual obligations.

The results for the group for the year are shown in the consolidated profit and loss account and statement of other comprehensive income on page 7.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The key business risks affecting the group are considered to relate to facility management compliance, treasury management and control and review of the insurance cover and lifecycle profile.

The board formally reviews risks and appropriate processes are put in place to mitigate them.

Financial risk management

The group's operations expose it to a variety of financial risks that include liquidity risk, interest rate risk and credit risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

The group's financial instruments comprise fixed rate borrowings, the main purpose of which is to raise finance for the group's operations.

Bilfinger RE Asset Management Limited, as a provider of management and financial services to the group under a contractual arrangement, implements the policies set by the board of directors.

Liquidity risk

The group minimises the risk of uncertain funding in its operations by having long-term committed and drawn facilities available.

Interest rate cash flow risk

The group seeks to minimise its exposure to an upward change in interest rates by borrowing at fixed rates. At the year end all the group's borrowings were at fixed rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligation under the contract giving rise to the financial instrument. The group's credit risk is concentrated as its cash flows are generated from the PPP concession asset. The concentration of risk is mitigated as the cash flows are secured under contract with the Governing Body of the Board of Governors of Lagan College, a government body.

Lagan College Education Partnership (Holdings) Limited

Strategic Report *(continued)*

Year ended 31 December 2015

Key performance indicators

1. Performance deductions under the service contract

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These deductions were passed on to the service provider. In the year ended 31 December 2015, deductions of £nil (2014: £11,000) had been levied which represents 0% (2014: 1.2%) of revenue. The directors believe the performance for the year to be satisfactory.

2. Financial performance

The directors have modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 December 2015, the group's performance against this measure was satisfactory.

Going concern

The directors have reviewed the group's projected cash flows by reference to a financial model covering accounting periods up to 31 December 2038. The directors have also examined the current status of the group's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the group will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is appropriate for the financial statements of the group and parent company to be prepared on a going concern basis..

This report was approved by the board of directors on 9 August 2016 and signed on behalf of the board by:



A Naafs
Director

Registered office:
Ground Floor
Quaygate House
15 Scrabo Street
Belfast
Northern Ireland
BT5 4BD

Lagan College Education Partnership (Holdings) Limited

Directors' Report

Year ended 31 December 2015

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

Directors

The directors who served the company during the year and up to the date of this report are shown below:

| | |
|----------|-------------------------|
| I Tayler | |
| A Naafs | (Appointed 29 May 2015) |
| A Speer | (Resigned 29 May 2015) |

Dividends

The directors have not recommended a dividend (2014: £nil).

Future developments

The updated forecast for the project confirms that it is performing satisfactorily and management of the scheme both logistically and financially remains under control. The directors remain confident that the group will maintain the current level of performance and keep meeting the obligations under the contract.

Donations

Neither the Company nor its subsidiary undertaking made any political donations during the year (2014: £nil).

Disclosure of Information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 9 August 2016 and signed on behalf of the board by:



A Naafs
Director

Registered office:
Ground Floor
Quaygate House
15 Scrabo Street
Belfast
Northern Ireland
BT5 4BD

Lagan College Education Partnership (Holdings) Limited

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

Year ended 31 December 2015

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 group and parent company and of their profit or loss for that period.

In preparing each of the group and parent company 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; 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and to prevent and detect fraud and other irregularities.

Lagan College Education Partnership (Holdings) Limited

Independent Auditor's Report to the Members of Lagan College Education Partnership (Holdings) Limited

Year ended 31 December 2015

We have audited the financial statements of Lagan College Education Partnership (Holdings) Limited for the year ended 31 December 2015, set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Lagan College Education Partnership (Holdings) Limited
Independent Auditor's Report to the Members of Lagan College Education
Partnership (Holdings) 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Amanda Moses (Senior Statutory Auditor)

9 August 2016

For and on behalf of
KPMG LLP
Chartered Accountants & statutory auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Lagan College Education Partnership (Holdings) Limited
Consolidated Profit and Loss Account and Statement of Other Comprehensive
Income

Year ended 31 December 2015

| | | 2015 | 2014 |
|---|----------|------------------|------------------|
| | Note | £000 | £000 |
| Turnover | 3 | 882 | 918 |
| Operating costs | | <u>(797)</u> | <u>(815)</u> |
| Operating profit | | 85 | 103 |
| Other interest receivable and similar income | 6 | 1,828 | 1,860 |
| Interest payable and similar charges | 7 | <u>(1,891)</u> | <u>(1,938)</u> |
| Profit on ordinary activities before taxation | | 22 | 25 |
| Tax on profit on ordinary activities | 8 | (5) | (7) |
| Total comprehensive income | | <u>—</u> | <u>—</u> |
| Profit for the financial year and total comprehensive income | | <u>17</u> | <u>18</u> |

All the activities of the group are from continuing operations.

The notes on pages 12 to 22 form part of these financial statements.

Lagan College Education Partnership (Holdings) Limited

Consolidated Balance Sheet

31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|------|-----------------|-----------------|
| Current assets | | | |
| Debtors (including £28,142,000 (2014: £28,748,000) due after more than one year | 11 | 28,760 | 29,330 |
| Cash at bank and in hand | | 1,878 | 1,939 |
| Total current assets | | 30,638 | 31,269 |
| Creditors: amounts falling due within one year | 12 | (2,574) | (2,463) |
| Net current assets | | 28,064 | 28,806 |
| Total assets less current liabilities | | 28,064 | 28,806 |
| Creditors: amounts falling due after more than one year | 13 | (27,826) | (28,585) |
| Net assets | | 238 | 221 |
| Capital and reserves | | | |
| Called up share capital | 15 | 10 | 10 |
| Profit and loss account | 16 | 228 | 211 |
| Total shareholder's funds | | 238 | 221 |

These financial statements were approved by the board of directors and authorised for issue on 9 August 2016, and are signed on behalf of the board by:


A Naafs
Director

Company registration number: NI605032

The notes on pages 12 to 22 form part of these financial statements.

Lagan College Education Partnership (Holdings) Limited

Company Balance Sheet

31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|------|------------------|------------------|
| Fixed assets | | | |
| Investments | 10 | 10 | 10 |
| Current assets | | | |
| Debtors (including £3,479,000 (2014: £3,518,000) due after more than one year | 11 | 3,629 | 3,662 |
| Total current assets | | <u>3,629</u> | <u>3,662</u> |
| Creditors: amounts falling due within one year | 12 | <u>(150)</u> | <u>(144)</u> |
| Net current assets | | <u>3,479</u> | <u>3,518</u> |
| Total assets less current liabilities | | <u>3,489</u> | <u>3,528</u> |
| Creditors: amounts falling due after more than one year | 13 | <u>(3,479)</u> | <u>(3,518)</u> |
| Net assets | | <u><u>10</u></u> | <u><u>10</u></u> |
| Capital and reserves | | | |
| Called up share capital | 15 | <u>10</u> | <u>10</u> |
| Total shareholder's funds | | <u><u>10</u></u> | <u><u>10</u></u> |

These financial statements were approved by the board of directors and authorised for issue on 9 August 2016, and are signed on behalf of the board by:


A. Naafs
Director

Company registration number: NI605032

The notes on pages 12 to 22 form part of these financial statements.

Lagan College Education Partnership (Holdings) Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

| | Called up share capital £000 | Profit and loss account £000 | Total £000 |
|--|---------------------------------------|---------------------------------------|---------------|
| At 1 January 2014 | 10 | 193 | 203 |
| Profit for the year | — | 18 | 18 |
| Total comprehensive income for the year | — | 18 | 18 |
| At 31 December 2014 | 10 | 211 | 221 |
| Profit for the year | — | 17 | 17 |
| Total comprehensive income for the year | — | 17 | 17 |
| At 31 December 2015 | 10 | 228 | 238 |

The notes on pages 12 to 22 form part of these financial statements.

Lagan College Education Partnership (Holdings) Limited

Company Statement of Changes in Equity

Year ended 31 December 2015

| | Called up share capital £000 | Profit and loss account £000 | Total £000 |
|----------------------------|---|---|-----------------------|
| At 1 January 2014 | 10 | – | 10 |
| Result for the year | – | – | – |
| At 31 December 2014 | 10 | – | 10 |
| Result for the year | – | – | – |
| At 31 December 2015 | <u>10</u> | <u>–</u> | <u>10</u> |

The notes on pages 12 to 22 form part of these financial statements.

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements

Year ended 31 December 2015

1. Statement of compliance

Lagan College Education Partnership (Holdings) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling.

Company

In the stand alone Company Financial Statements, there are two adjustments. The first adjustment is to subordinated debt payable and is due to a change in the basis of the loan interest calculation to the effective interest rate method. The effect is to increase the subordinated interest payable by £144,000 (1 January 2014: £174,000). The difference between the balance sheet adjustments of £30,000 is the effect on the interest payable in the comparative year.

The second adjustment is to subordinated debt receivable and is due to a change in the basis of the loan interest calculation to the effective interest rate method. The effect is to increase the subordinated interest receivable by £144,000 (1 January 2014: £174,000). The difference between the balance sheet adjustments of £30,000 is the effect on the interest receivable in the comparative year. The net effect on the profit or loss for the comparative year is nil.

Group

In the transition to FRS 102 from old UK GAAP, the group has made one measurement and recognition adjustment. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 19.

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

Service concession arrangements - The Company entered into its service concession arrangement before the date of transition to FRS 102. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102. In accordance with FRS 102 35.10(i), the Company has applied the exemption to finance debtor and service income accounting policies.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied.

- Cash Flow Statement and related notes.

As the consolidated financial statements of Lagan College Education Partnership (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies

Measurement convention

The financial statements are prepared on the historical cost basis.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking, Lagan College Education Partnership Limited.

Going concern

The directors have reviewed the cash flow forecast and taking into account of reasonable possible changes in operations, believe that the group will be able to settle liabilities as they fall due for payment for the foreseeable future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

Turnover

The group entered into its service concession arrangement before the date of transition to FRS 102 and has therefore, taken advantage of the exemption under FRS 102 35.10(i) to continue with the same accounting policy for revenue recognition under old UK GAAP.

Turnover represents the value of services rendered, excluding sales related taxes, and is recognised to the extent that the group obtains the right to consideration in exchange for its performance. During the construction phase, which completed on 27 August 2013, revenues in excess of net operating and finance costs were deferred until completion of construction, whereupon they will be released to the profit and loss account over the remaining life of the concession. During the operational phase, turnover is recognised as contract activity progresses at a mark up on costs related to the provision of services. In line with FRS 102 23.22(a), the mark up is calculated based upon the forecast service revenues and costs over the concession period.

All turnover originates in the United Kingdom.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is recognised on trading losses carried forward.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies *(continued)*

Investments

Investments in subsidiary undertakings are stated at cost, less an appropriate provision to reflect any impairment in the value of the investments.

Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and treasury deposits.

Restricted cash

The group is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £88,000 at the year end (2014: £49,000).

Finance debtor

The group entered into its service concession arrangement before the date of transition to FRS 102 and has therefore, taken advantage of the exemption under FRS 102 35.10(i) to continue with the same accounting policy for the recognition of a finance debtor under old UK GAAP.

The group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the group under FRS 102 section 34.12C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23.22(a). The group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies *(continued)*

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated on-going financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method.

3. Turnover

Turnover arises from:

| | 2015 £000 | 2014 £000 |
|----------------|--------------|--------------|
| Service income | <u>882</u> | <u>918</u> |

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

4. Auditor's remuneration

| | 2015 £000 | 2014 £000 |
|-------------------------------------|--------------|--------------|
| Audit of these financial statements | <u>12</u> | <u>11</u> |

The audit fee in respect of the group was £12,000 (2014: £11,000) and for the company £2,000 (2014: £2,000). All of these costs have been borne by the subsidiary undertaking.

5. Staff costs and directors' remuneration

The group had no employees during the year (2014: nil). No key personnel received any remuneration during the year (2014: nil). The directors have no contract of service with the group. During the year the group incurred charges of £23,000 (2014: £41,000) from BBGI Management HoldCo S.a.r.l. for making available the services of the directors.

6. Other interest receivable and similar income

| | 2015 £000 | 2014 £000 |
|------------------------------------|--------------|--------------|
| Bank interest receivable | 3 | 4 |
| Finance debtor interest receivable | <u>1,825</u> | <u>1,856</u> |
| | <u>1,828</u> | <u>1,860</u> |

Interest is imputed on the finance debtor using the property specific rate of 6.27%.

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

7. Interest payable and similar charges

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Interest payable on bank loan | 1,528 | 1,570 |
| Interest payable on subordinated debt | 357 | 362 |
| Other interest payable and similar charges | 6 | 6 |
| | <u>1,891</u> | <u>1,938</u> |

Interest payable and similar charges are recognised using the effective interest rate method.

8. Tax on profit on ordinary activities

Major components of tax expense

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Current tax: | | |
| UK current tax expense | 5 | 6 |
| Deferred tax: | | |
| Origination and reversal of timing differences | – | 1 |
| Tax on profit on ordinary activities | <u>5</u> | <u>7</u> |

Reconciliation of tax expense

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Profit on ordinary activities before taxation | 22 | 25 |
| Profit on ordinary activities by rate of tax | 5 | 6 |
| Utilisation of tax losses | – | 1 |
| Total tax expense recognised in the profit and loss account | <u>5</u> | <u>7</u> |

Factors that may affect future tax expense

The reduction in the rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. In the budget on 8 July 2015, the Chancellor of the Exchequer announced that the UK Corporation Tax rate will reduce to 19% in 2017 and 18% in 2020. In the budget on 16 March 2016, the Chancellor announced a further reduction of 1% in the UK Corporation Tax rate to 17% from 1 April 2020. This will reduce the group's future current tax charge accordingly.

9. Profit for the year of the parent company

The profit for the financial year of the parent company was £nil (2014: £nil).

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

10. Investments

| Company | Shares in subsidiary undertaking £000 |
|-------------------------------|--|
| Cost | |
| At 1 Jan 2015 and 31 Dec 2015 | <u>10</u> |
| Impairment | |
| At 1 Jan 2015 and 31 Dec 2015 | <u>-</u> |
| Carrying amount | |
| At 1 Jan 2015 and 31 Dec 2015 | <u>10</u> |

As at 31 December 2015 the company owns 100% of the issued share capital (£10,000) of Lagan College Education Partnership Limited, which is registered in the United Kingdom.

11. Debtors

| | Group | | Company | |
|--|---------------|---------------|----------------|--------------|
| | 2015 £000 | 2014 £000 | 2015 £000 | 2014 £000 |
| Amounts owed by subsidiary undertaking | - | - | 3,629 | 3,662 |
| Prepayments and accrued income | 12 | 13 | - | - |
| Finance debtor | <u>28,748</u> | <u>29,317</u> | <u>-</u> | <u>-</u> |
| | <u>28,760</u> | <u>29,330</u> | <u>3,629</u> | <u>3,662</u> |

The debtors above include the following amounts falling due after more than one year:

| | Group | | Company | |
|--|---------------|---------------|----------------|--------------|
| | 2015 £000 | 2014 £000 | 2015 £000 | 2014 £000 |
| Amounts owed by subsidiary undertaking | - | - | 3,479 | 3,518 |
| Finance debtor | <u>28,142</u> | <u>28,748</u> | <u>-</u> | <u>-</u> |
| | <u>28,142</u> | <u>28,748</u> | <u>3,479</u> | <u>3,518</u> |

12. Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------|--------------|--------------|----------------|--------------|
| | 2015 £000 | 2014 £000 | 2015 £000 | 2014 £000 |
| Trade creditors | 57 | 57 | - | - |
| Accruals and deferred income | 742 | 700 | - | - |
| Corporation tax | 2 | 6 | - | - |
| Other taxation | 139 | 107 | - | - |
| Bank loan | 745 | 715 | - | - |
| Subordinated debt | 150 | 144 | 150 | 144 |
| Retention | <u>739</u> | <u>734</u> | <u>-</u> | <u>-</u> |
| | <u>2,574</u> | <u>2,463</u> | <u>150</u> | <u>144</u> |

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

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

| | Group | | Company | |
|------------------------------|---------------|---------------|--------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| Bank loan | 24,318 | 25,037 | – | – |
| Subordinated debt | 3,479 | 3,518 | 3,479 | 3,518 |
| Accruals and deferred income | 29 | 30 | – | – |
| | <u>27,826</u> | <u>28,585</u> | <u>3,479</u> | <u>3,518</u> |

Included within Bank loan is an amount repayable after five years of £21,533,000 (2014: £22,343,000) and included within subordinated debt are amounts repayable after five years of £3,220,000 (2014: £3,282,000) respectively.

Bank loan relates to senior secured funding granted by Aviva Commercial Finance Limited. The senior loan facility is for a total value of £27,850,000.

The senior loan facility consist of two separate facilities; a change in law facility of £684,000 which has not yet been drawn down and a term loan facility of £27,166,000 which is repayable in ninety six quarterly instalments ending 31 May 2037. Interest is charged on amounts drawn under the facility at a fixed rate of 5.79%. As at 31 December 2015 the total amount outstanding on the bank loan facility is £25,495,000 (2014: £26,210,000).

The senior loan facility is secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the group and by a floating charge over the group's undertakings and assets.

Subordinated debt represents a £3,479,000 (2014: £3,518,000) unsecured loan facility due to BBGI (NI) Limited. The subordinated loan facility bears interest at a fixed rate of 10% and is fully repayable by 2038.

14. Financial instruments

The carrying amounts of the financial assets and liabilities include:

| | 2015 | 2014 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Financial assets | | |
| Financial assets measured at amortised cost - finance debtor, trade and other debtors | 28,748 | 29,317 |
| Financial assets measured at cost less impairment - cash and cash equivalents | <u>1,878</u> | <u>1,939</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost - trade and other payables, bank loan and subordinated debt | <u>(28,749)</u> | <u>(29,471)</u> |

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

15. Called up share capital

Issued, called up and fully paid

| | 2015 | | 2014 | |
|----------------------------|---------------|-----------|---------------|-----------|
| | No | £000 | No | £000 |
| Ordinary shares of £1 each | <u>10,000</u> | <u>10</u> | <u>10,000</u> | <u>10</u> |

16. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

17. Related parties

During the year the group entered into the following transactions with related parties:

| | Transaction with related parties | | Payables to | |
|---------------------------------|--|------------|--------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| BBGI Management HoldCo S.a.r.l. | 23 | 41 | 6 | 5 |
| BBGI (NI) Limited | <u>357</u> | <u>362</u> | <u>3,629</u> | <u>3,662</u> |

18. Ultimate parent company and parent company of larger group

At 31 December 2015, 100% of the share capital in the company was held by BBGI(NI)Limited.

BBGI (NI) Limited is an indirect and wholly owned subsidiary of BBGI SICAV S.A., a Luxembourg investment company listed on the London Stock Exchange.

BBGI SICAV S.A. is the ultimate parent undertaking and controlling party for the years ended 31 December 2015 and 31 December 2014.

No other group financial statements include the results of the Company.

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

19. Explanation of transition to FRS 102 from old UK GAAP

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

As stated in note 1, these are the group's first financial statements prepared in accordance with FRS 102.

Company

In the stand alone Company Financial Statements, there are two adjustments. The first adjustment is to subordinated debt payable and is due to a change in the basis of the loan interest calculation to the effective interest rate method. The effect is to increase the subordinated interest payable by £144,000 (1 January 2014: £174,000). The difference between the balance sheet adjustments of £30,000 is the effect on the interest payable in the comparative year.

The second adjustment is to subordinated debt receivable and is due to a change in the basis of the loan interest calculation to the effective interest rate method. The effect is to increase the subordinated interest receivable by £144,000 (1 January 2014: £174,000). The difference between the balance sheet adjustments of £30,000 is the effect on the interest receivable in the comparative year. The net effect on the profit or loss for the comparative year is nil.

Group

In preparing its FRS 102 balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the group's financial position and financial performance is set out in the following tables.

Reconciliation of consolidated equity as at 1 January 2014

| | Note | UK GAAP £000 | Effect of transition to FRS 102 £000 | FRS 102 £000 |
|--|------|-----------------|---|-----------------|
| Current assets | | | | |
| Debtors | | 29,810 | – | 29,810 |
| Cash at bank and in hand | | 2,337 | – | 2,337 |
| | | 32,147 | – | 32,147 |
| Creditors: amounts due within one year | a | (2,609) | 107 | (2,502) |
| Net current assets | | 29,538 | 107 | 29,645 |
| Creditors: amounts falling due after more than one year | a | (29,534) | 92 | (29,442) |
| Net assets | | 4 | 199 | 203 |
| Capital and reserves | | | | |
| Called up share capital | | 10 | – | 10 |
| Profit and loss account | a | (6) | 199 | 193 |
| Shareholder's equity | | 4 | 199 | 203 |

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

19. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of consolidated equity as at 31 December 2014

| | Note | UK GAAP £000 | Effect of transition to FRS 102 £000 | FRS 102 £000 |
|--|------|-----------------|---|-----------------|
| Current assets | | | | |
| Debtors | | 29,330 | – | 29,330 |
| Cash at bank and in hand | | 1,939 | – | 1,939 |
| | | <u>31,269</u> | <u>–</u> | <u>31,269</u> |
| Creditors: amounts due within one year | a | (2,393) | (70) | (2,463) |
| Net current assets | | <u>28,876</u> | <u>(70)</u> | <u>28,806</u> |
| Creditors: amounts falling due after more than one year | a | (28,835) | 250 | (28,585) |
| Net assets | | <u>41</u> | <u>180</u> | <u>221</u> |
| Capital and reserves | | | | |
| Called up share capital | | 10 | – | 10 |
| Profit and loss account | a | 31 | 180 | 211 |
| Shareholder's equity | | <u>41</u> | <u>180</u> | <u>221</u> |

Notes to the reconciliation of equity

a) The effective interest rate adjustment within creditors: amounts due within one year is (£70,000) (1 January 2014: £107,000) of which £250,000 (1 January 2014: £92,000) is included within creditors: amounts falling due after more than one year. Within the profit and loss account the effective interest rate adjustment is £180,000 (1 January 2014: £199,000).

Reconciliation of Consolidated Profit and Loss Account and Statement of Other Comprehensive Income for the year ended 31 December 2014

| | Note | UK GAAP £000 | Effect of transition to FRS 102 £000 | FRS 102 £000 |
|---|------|-----------------|---|-----------------|
| Turnover | | 918 | – | 918 |
| Operating costs | | <u>(815)</u> | <u>–</u> | <u>(815)</u> |
| Operating profit | | <u>103</u> | <u>–</u> | <u>103</u> |
| Other interest receivable and similar income | | 1,860 | – | 1,860 |
| Interest payable and similar charges | a | (1,916) | (22) | (1,938) |
| Profit on ordinary activities before taxation | | <u>47</u> | <u>(22)</u> | <u>25</u> |
| Taxation | a | <u>(10)</u> | <u>3</u> | <u>(7)</u> |
| Total comprehensive income | | <u>–</u> | <u>–</u> | <u>–</u> |
| Profit for the year and total comprehensive income | | <u>37</u> | <u>(19)</u> | <u>18</u> |

Lagan College Education Partnership (Holdings) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

19. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Notes to the reconciliation of profit

a) Interest payable and similar charges are recognised using the effective interest rate method. The effective interest rate adjustment of £(22,000) is taken to the consolidated profit and loss account. As a result, the tax recognised on the effective interest rate adjustment of £(22,000) is £3,000, using the standard rate of corporation tax in the UK.

20. Accounting estimates and judgements

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

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. Monthly management accounts are produced, which compare actual performance with a detailed financial model. Variances are investigated and consideration given to the impact of any major variances. The financial model is updated on a six monthly basis, to reflect actual performance to date and accommodate any changes in economic assumptions. These processes ensure that the project remains robust and viable throughout the life of the contract.