The Renfrewshire Schools Partnership Limited

Directors' report and financial statements

Registered number 257330

Year ended 31 December 2010

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Directors' report

The directors present their report and financial statements for the year ended 31 December 2010.

Principal activities

The principal activities of the company are the design, redevelopment, financing and operation of schools and associated services under the Private Finance Initiative (PFI) for a period of thirty-two years pursuant to and in accordance with the terms of an agreement with the Renfrewshire Council ('the client'). This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 22 March 2005. Construction of the schools commenced in March 2005 and was completed in March 2008.

The income statement is set out on page 7 and relates to the operating activities during the year. The directors do not recommend the payment of a dividend *(2009: £Nil)*.

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

Principal risks and uncertainties

The company's principal activity is detailed above and its trading relationships with its customers, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. The financial risks and the measures taken to mitigate them are as detailed in the following section.

Credit risk

The company receives its revenue from a government body and therefore is not exposed to significant risk. The company invests cash and enters into interest rate swap agreements with financial institutions. The credit quality of these institutions is reviewed by the directors on a regular basis. As a result of the current financial conditions these institutions are substantially owned by the UK Government. As such the company's exposure to credit risk is reduced.

Inflation risk

The company's project revenue, operating and lifecycle costs are linked to inflation at the inception of the project.

Insurance risk

The company is exposed to the conditions prevailing in the insurance market at each renewal date. The directors manage this through close monitoring of the claims record of the project and through employing experienced broking organisations to obtain competitive insurance terms.

Interest rate risk

The company hedges its interest rate risk at the inception of the project by swapping an element of its variable rate debt into a fixed rate by the use of an interest rate swap.

Lifecycle risk

The company has contracted out the responsibility for lifecycle costs and these are now at the risk of the sub-contractor. A cash lifecycle fund will be held by the company to cover future anticipated replacement costs and will be utilised in reimbursing the sub-contractor for the profiled costs.

Liquidity risk

The company has adopted a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Solvency and performance of sub-contractors

The solvency and performance of key sub-contractors is regularly monitored by the directors.

Key performance indicators

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates the monitoring of the key performance criteria on operational activities detailed in the following section.

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

Performance of the services

The client has the ability to levy financial penalties and/or require remedial action in the event that either performance standards are not achieved or accommodation is not available according to detailed criteria set out in the project agreement. Performance standards and accommodation availability are monitored regularly by the directors. During the year ended 31 December 2010 minor deductions were levied in respect of service performance standards. This had no adverse financial affect on the subsidiary as it has the contractual right to recover such deductions from the appropriate sub-contractor.

Financial performance

The company has modelled the anticipated financial outcome of the project across its full term. The company monitors actual financial performance against anticipated performance. Income and expenditure for the year ended 31 December 2010 which are based on fixed long-term contracts have been in line with the directors' expectations.

Safety performance

The company is committed to providing a safe environment for its sub-contractors and those impacted by its activities. Safety reports are provided at each board meeting. These are reviewed by the directors who monitor actual performance against anticipated performance using industry benchmarks. Appropriate action is taken where necessary in order to ensure that all matters raised are fully resolved and are compliant with safety regulations.

Conversion to IFRS

During the year the company has converted from UK GAAP to IFRS as adopted by the EU. The directors have completed the conversion process to align the company with reporting requirements of shareholders.

Directors

The directors who held office during the year were as follows:

PJ Cooper	
A Coppin	(Resigned 10 December 2010)
A Ghafoor	
KW Gillespie	
G Quaife	
A Roshier	(Appointed 10 December 2010)
MT Smith	

Disclosure of information to auditors

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 company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report *(continued)*

Auditors

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

By order of the board

A Ghafoor
Director

Capella Building (Tenth Floor)
60 York Street
Glasgow
G2 8JX

29 July 2011

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 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.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of The Renfrewshire Schools Partnership Limited

We have audited the financial statements of The Renfrewshire Schools Partnership Limited for the year ended 31 December 2010 set out on pages 7 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of its profit for the year then ended:
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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.

Independent auditor's report to the members of The Renfrewshire Schools Partnership Limited *(continued)*

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.

RJ Pound

RJ Pound (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1st August 2011

Income Statement

for year ended 31 December 2010

	Notes	**2010**	2009
		£000	£000
Revenue	*1, 2*	**5,315**	5,750
Operating expenses	*3*	**(3,872)**	(4,192)
Operating profit		**1,443**	1,558
Financial income	*5*	**7,122**	7,230
Financial expenses	*5*	**(8,121)**	(8,274)
Net financing expense		**(999)**	(1,044)
Profit before tax		**444**	514
Taxation	*6*	**(110)**	(144)
Profit for the year attributable to equity		**334**	370

Statement of Comprehensive Income

for year ended 31 December 2010

	Notes	**2010**	2009
		£000	£000
Profit for the period		**334**	370
Other comprehensive income			
Net change in fair value of cash flow hedges transferred to profit		**4,480**	2,592
Effective portion of changes in fair value of cashflow hedges		**(9,932)**	6,545
Deferred tax credit/ (expense) recognised in other comprehensive income	*8*	**1,349**	(2,558)
Other comprehensive (expenses) /income for the period, net of income tax		**(4,103)**	6,579
Total comprehensive (expenses)/income for the period attributable to equity		**(3,769)**	6,949

Balance Sheet
at 31 December 2010

	Notes	**2010**	2009
		£000	£000
Non-current assets			
Other financial assets	*9*	**104,853**	106,746
Deferred tax	*8*	**4,371**	2,965
		109,224	109,711
Current assets			
Other financial assets	*9*	**7,954**	8,016
Trade and other receivables	*10*	**1,686**	2,165
Tax receivable		**119**	-
Cash and cash equivalents		**6,780**	6,879
		16,540	17,060
Total assets		**125,763**	126,771
Current liabilities			
Other interest-bearing loans and borrowings	*11*	**(2,547)**	(2,326)
Trade and other payables	*12*	**(1,527)**	(2,310)
Tax payable		**-**	(610)
Derivative financial instruments	*7*	**(4,406)**	(4,396)
		(8,480)	(9,642)
Non-current liabilities			
Other interest-bearing loans and borrowings	*11*	**(113,523)**	(115,042)
Derivative financial instruments	*7*	**(13,307)**	(7,865)
		(126,830)	(122,907)
Total liabilities		**(135,310)**	(132,549)
Net liabilities		**(9,547)**	(5,778)
Equity attributable to equity holders of the parent			
Share capital	*13*	**50**	50
Hedging Reserves		**(12,931)**	(8,828)
Retained earnings		**3,334**	3,000
Total deficit		**(9,547)**	(5,778)

These financial statements were approved by the board of directors on 29 July 2011 and were signed on its behalf by:

A Ghafoor
Director

Company registered number: 257330 (Scotland)

Statement of changes in equity
for year ended 31 December 2010

	Share capital £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	50	-	(4,571)	(4,521)
Effect of transition to adopted IFRS	-	(15,407)	7,201	(8,206)
Balance at 1 January 2009 restated	50	(15,407)	2,630	(12,727)
Total comprehensive income for the period				
Profit or loss	-	-	370	370
Other comprehensive income				-
Net change in fair value of cash flow hedges Transferred to profit	-	2,592	-	2,592
Effective portion of changes in fair value of Cash flow hedges	-	6,545	-	6,545
Deferred tax recognised on derivative financial instruments	-	(2,558)	-	(2,558)
Total other comprehensive income	-	6,579	-	6,579
Total comprehensive income for the period	-	6,579	370	6,949
Balance at 31 December 2009	**50**	**(8,828)**	**3,000**	**(5,778)**
Total comprehensive income for the period				
Profit for the year	-	-	**334**	**334**
Other comprehensive income				-
Net change in fair value of cash flow hedges transferred to profit	-	**4,480**	-	**4,480**
Effective portion of changes in fair value of cashflow hedges	-	**(9,932)**	-	**(9,932)**
Deferred tax recognised on derivative financial instruments	-	**1,349**	-	**1,349**
Total other comprehensive income	-	**(4,103)**	-	**(4,103)**
Total comprehensive income for the period	-	**(4,103)**	**334**	**(3,769)**
Balance at 31 December 2010	**50**	**(12,931)**	**3,334**	**(9,547)**

Cash Flow Statement

for year ended 31 December 2010

	2010	2009
	£000	£000
Cash flows from operating activities		
Profit for the year	**334**	370
Adjustments for:		
Financial income	**(7,122)**	(7,230)
Financial expense	**8,121**	8,274
Taxation	**110**	144
	1,443	1,558
Decrease in trade and other receivables	**2,434**	1,270
Increase/(decrease) in trade and other payables	**(690)**	27
	3,187	2,855
Interest received on bank deposits and finance receivables	**7,122**	7,230
Interest paid and similar charges	**(7,958)**	(9,345)
Tax paid	**(901)**	(82)
Net cash from operating activities	**1,450**	658
Cash flows from financing activities		
Repayment of borrowings	**(1,549)**	(1,475)
Net cash from financing activities	**(1,549)**	(1,475)
Net decrease in cash and cash equivalents	**(99)**	(817)
Cash and cash equivalents at 1 January	**6,879**	7,696
Cash and cash equivalents at 31 December	**6,780**	6,879

Notes
(forming part of the financial statements)

1 Accounting policies

The Renfrewshire Schools Partnership Limited (the "Company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening adopted IFRSs balance sheet at 1 January 2009 for the purposes of the transition to Adopted IFRSs.

The effect on the financial statements of the adoption of these standards and interpretations has been described under the 'Change in accounting policy' heading below.

Financial statements are presented in pounds sterling.

Statement of compliance

The company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards adopted by the EU ('Adopted IFRSs')

Transition to Adopted IFRSs

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 18.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss or as available-for-sale.

Going concern

The financial statements are prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The directors have reviewed the company's cash flow forecasts and profit projections over the concession period. The forecasts demonstrate that the company expects to comply with its banking covenants. The directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments

The company initially recognises loans and receivables and deposits on the date that they are originated.

The company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards or ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Non-derivative financial liabilities

The company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The company de-recognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments and hedging

Derivative financial instruments

The company holds derivative financial instruments to hedge its interest rate risk exposure.

On initial designation of the derivative as the hedging instrument, the company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivatives are held at fair value and changes therein are described below.

Cash flow hedges

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

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

Impairment excluding inventories, and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Revenue

Services revenue (in accordance with IFRIC 12) represents revenues from the provision of facilities management services to Private Finance Initiative ("PFI") projects calculated as the fair value of services provided.

Service concessions

In accordance with IFRIC 12 and the various provisions of Adopted IFRS, the company has determined the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Results of all service concessions which fall within the scope of IFRIC 12 conform to the following policies depending on the rights to consideration under the service concessions:

Notes *(continued)*

1 Accounting policies *(continued)*

Service concessions treated as financial assets

The company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are held at amortised cost.

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

During the construction phase, revenue is recognised at cost, plus attributable profit to the extent that this is reasonably certain, in accordance with IAS 11. Costs for this purpose include valuation of all work done by subcontractors whether certified or not, and all overheads other than those relating to the general administration of the relevant companies.

During the operational stage, cash received in respect of the service concessions is allocated to service and maintenance revenue based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest method.

The finance receivables are held as loan or receivable in accordance with IAS 39: 'Financial instruments: Recognition and measurement'. Finance receivables are recognised initially at fair value. Subsequent to initial recognition, finance receivables are measured at amortised cost using the effective interest method less any impairment losses.

Expenses

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest methods and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested and interest receivable on the financial asset.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

The company has entered into a composite trade agreement with the HMRC where by accounting profits are charged to corporation tax using tax rates enacted or substantially enacted at the balance sheet dates. Taxable profits created as part of the conversion process have been taxed at the current enacted rate.

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to those taxes levied by the same tax authority as the same taxable entity or a different tax entity but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Determination of fair values

A number of the company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following method:

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

Derivatives

The fair value of interest rate swaps is based on broker quotes. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the company and counterparty when appropriate.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Accounting estimates and judgements

There are no other estimates and judgements which have a material impact on the financial statements.

Adopted IFRSs not yet applied

The following Adopted IFRSs have been issued and are effective for the year ending 31 December 2011. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to International Financial Interpretations Committee (IFRIC) 14: 'Prepayment of a minimum funding requirement'.
- International Financial Reporting Interpretations Committee (IFRIC) 19: 'Extinguishing financial liabilities with equity instruments'.
- Amendment to International Financial reporting Standard (IFRS) 7: 'Improving disclosures about financial instruments'.
- International Accounting Standard (IAS) 24: 'Related party disclosures' – (revised 2009).
- Amendment to International Accounting Standards (IAS) 32: 'Classification of rights issue'.

The Company has considered the impact of these new standards and interpretations in future periods on profit and net assets. None of the above of standards or interpretations are expected to have an impact. The Company has chosen not to early adopt any of the above standards and interpretations.

Notes *(continued)*

2 Revenue

	2010 £000	2009 £000
Rendering of services	**5,315**	5,750
Total revenues	**5,315**	5,750

3 Expenses and auditors' remuneration

Auditors' remuneration:

	2010 £000	2009 £000
Audit of these financial statements	**16**	10
Other services	**15**	-
	31	10

4 Staff numbers and costs

There were no employees during the year *(2009: none)*. The directors have no contract of services with the company (2009: none). Amounts payable to third parties in respect of directors' services were £95,000 *(2009: £93,000)*.

5 Finance income and expense

Recognised in profit or loss

	2010 £000	2009 £000
Finance income		
Interest income financial assets	**7,083**	7,189
Interest on bank deposits	**39**	41
Total finance income	**7,122**	7,230

	2010 £000	2009 £000
Finance expense		
Interest expense on financial liabilities	**(8,121)**	(8,274)
Total finance expense	**(8,121)**	(8,274)

Notes *(continued)*

6 Taxation

Recognised in the income statement

	2010	2009
	£000	£000
Current tax expense		
Current year	172	171
Adjust for prior year	(5)	4
Current tax expense	167	175
Deferred tax expense		
Origination and reversal of temporary differences	(40)	(31)
Reduction in tax rate	(17)	-
Deferred tax expense	(57)	(31)
Total tax expense	110	144

Income tax recognised in other comprehensive income

	2010	2009
	£000	£000
Deferred tax credit/(expense) recognised on derivative financial instruments	1,349	(2,558)
	1,349	(2,558)

Reconciliation of effective tax rate

	2010	2009
	£000	£000
Profit for the year	334	370
Total tax expense	110	144
Profit excluding taxation	444	514
Tax using the UK corporation tax rate of 28% (2009: 28%)	124	(144)
Reduction in tax rate on deferred tax balances	(17)	-
Other timing difference	3	-
Total tax expense	110	144

The emergency budget on 22 July 2010, announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantially enacted on 21 July 2010 and will be effective from 1 April 2011. On 23 March 2011 the chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April. This change was substantially enacted on 29 March 2011.

Notes *(continued)*

7 Derivative financial instruments

	2010	2009
	£000	£000
Non-current liability		
Derivative financial instruments	13,307	7,865
Current liability		
Derivative financial instruments	4,406	4,396
	17,713	12,261

8 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2010	2009	2010	2009
	£000	£000	£000	£000
Interest-bearing loans and borrowings	-	-	(411)	(468)
Derivative financial instruments	4,782	3,433	-	-
Tax assets/(liabilities)	4,782	3,433	(411)	(468)
Net of tax (liabilities)/assets	(411)	(468)	411	468
Net tax assets/(liabilities)	4,371	2,965	-	-

Movement in deferred tax during the year

	31 December 2010	Recog-nised in income	Recog-nised in equity	1 January 2010
	£000	£000	£000	£000
Interest-bearing loans and borrowings	(411)	57	-	(468)
Derivative financial instruments	4,782	-	1,349	3,433
	4,371	57	1,349	2,965

Notes *(continued)*

8 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the prior year

	31 December 2009 £000	Recog-nised in income £000	Recog-nised in equity £000	1 January 2009 £000
Interest-bearing loans and borrowings	(468)	31	-	(499)
Derivative financial instruments	3,433	-	(2,558)	5,991
	2,965	31	(2,558)	5,492

9 Other financial assets

	2010 £000	2009 £000
Non-current		
PFI financial assets	**104,853**	106,746
Current		
PFI financial assets	**7,954**	8,016
	112,807	114,762

10 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	**1,542**	2,100
Prepayments	**89**	30
Other debtors	**55**	35
	1,686	2,165
Non-current	**-**	-
Current	**1,686**	2,165
	1,686	2,165

Notes *(continued)*

11 Other interest-bearing loans and borrowings

Bank borrowings relate to term loan facilities granted by the bank on 22 March 2005. The loan facility is for a total value of £127,606,000 comprising £98,616,000 tranche A facility, £10,000,000 tranche B facility, £12,171,000 subordinated bridge facility, £4,819,000 debt service facility and £2,000,000 standby facility. As at 31 December 2010 £106,664,000 *(2009: £108,129,000)* has been drawn comprising £94,737,000 *(2009: £96,173,000)* tranche A, £10,000,000 *(2009: £10,000,000)* tranche B, £1,927,000 *(2009: £1,956,000)* standby facility and £Nil *(2009: £Nil)* debt service and standby facility. The subordinated bridge loan was repaid on 3 March 2008 from the £12,171,000 proceeds of an On-Loan from the company's parent undertaking, RSP (Holdings) Limited.

Issue costs in respect of the above facilities have been deducted from the gross proceeds of the borrowings and are being amortised over the periods of the facilities.

The tranche A loan is repayable in fifty-five six-monthly instalments which commenced on 30 September 2008. The tranche B loan is repayable in three six-monthly instalments commencing on 29 September 2034. Interest is charged on amounts drawn under the facilities based on floating LIBOR. The company has entered into interest hedging agreements to be applied to the expected future borrowings under the facilities. The hedging agreement fixes the interest rate at 5.17% until 28 September 2035. The fair value of this financial instrument at 31 December 2010 was a liability of £17,713,000 *(2009: £12,261,000)*.

The facilities are secured by fixed security interests over authorised investments, credit balances, receivables, intellectual property rights and any other assets and by a first floating charge over all its secured assets.

The company's parent company, RSP (Holdings) Limited, subscribed for £12,171,000 of Loan Notes in the company on 3 March 2008. RSP (Holdings) Limited has in turn issued corresponding Loan Notes to its shareholders in proportion to their shareholdings. This loan, which is unsecured, carries interest at 12.0% and is repayable in six monthly intervals. The first payment which was due on 30 September 2008 was deferred until 31 March 2009 with the final payment falling due 30 September 2035.

	2010	2009
	£000	£000
Non-current liabilities		
Secured bank loans	**103,783**	105,209
Amounts due to parent undertakings	**9,740**	9,833
	113,523	115,042
Current liabilities		
Secured bank loans	**2,091**	1,922
Amounts due to parent undertakings	**456**	404
	2,547	2,326
Total	**116,070**	117,368

Notes *(continued)*

11 Other interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Fair value 2010	Carrying amount 2010	Fair value 2009	Carrying amount 2009
			£000	£000	£000	£000
Tranche A loan £98,616,000	2.2%	2034	93,933	93,933	95,170	95,170
Tranche B loan £10,000,000	2.19%	2035	10,046	10,046	10,039	10,039
Subordinated loan £12,171,000	12.0%	2035	16,156	10,196	14,379	10,237
Standby facility £2,000,000	2.2%	2034	1,895	1,895	1,922	1,922
Debt service reserve £4,819,000	n/a	2035	-	-	-	-
			122,030	116,070	121,510	117,368

12 Trade and other payables

	2010	2009
	£000	£000
Current		
Trade payables	85	39
Non-trade payables and accrued expenses	1,442	2,271
	1,527	2,310

No amounts are due greater than 12 months *(2009: £Nil)*.

13 Capital and reserves

Share capital

	Ordinary shares	
In thousands of shares	2010	2009
On issue at 1 January 2010 and 31 December 2010 – fully paid	50	50

	2010	2009
	£000	£000
Shares classified in shareholder's funds	50	50

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

14 Financial Instruments

14 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date, if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date, if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date, if the effect is material.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The interest rates used to discount estimated cash flows, where applicable are based on a six month LIBOR yield curve at balance date.

Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	2010	**2010**	2009	2009
	£000	**£000**	£000	£000
Financial assets				
Cash and cash equivalents	**6,780**	**6,780**	6,879	6,879
Other financial assets	**112,804**	**145,047**	114,762	152,633
Trade and other receivables	**1,686**	**1,686**	2,165	2,165
Tax receivable	**119**	**119**	-	-
Total financial assets	**121,389**	**153,632**	123,806	161,677

Notes *(continued)*

14 Financial instruments *(continued)*

14(a) Fair values of financial instruments (continued)

	Carrying amount 2010 £000	Fair value 2010 £000	Carrying amount 2009 £000	Fair value 2009 £000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 11)	**116,070**	**122,030**	117,368	121,510
Trade and other payables (note 12)	**1,527**	**1,527**	2,310	2,310
Total financial liabilities measured at amortised cost	**117,597**	**123,557**	119,678	123,820
Total financial instruments	**17,713**	**17,713**	12,261	12,2621
Total financial liabilities	**135,310**	**141,270**	131,939	136,081

Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2010	**Level 1** £000	**Level 2** £000	**Level 3** £000	**Total** £000
Derivative financial liabilities	-	**17,713**	-	**17,713**

The same valuation hierarchy was used for the respective balances at 31 December 2009.

Notes *(continued)*

14 Financial instruments *(continued)*

14 (b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers including other financial assets and investment securities.

The company received its revenue from a government body and therefore is not exposed to significant credit risks. The company invests cash and enters into interest rate swap agreements with financial institutions. The quality of these is reviewed on a regular basis. As a result of the current financial conditions these institutions are substantially owned by the UK government. As such the company's exposure to risk is reduced.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £114,490,000 *(2009: £116,927,000)* being the total of the carrying amount of other financial assets and trade and other receivables, excluding equity investments, shown in the table above.

The maximum exposure to credit risk for trade receivables and other financial assets at the balance sheet date by geographic region was:

	2010	2009
	£000	£000
UK	**114,405**	116,882
	114,405	116,882

The maximum exposure to credit risk for trade receivables and other financial assets at the balance sheet date by type of counterparty was:

	2010	2009
	£000	£000
Government backed institutions – Renfrewshire Council	**114,405**	116,882

Credit quality of financial assets and impairment losses

The ageing of trade receivables and other financial assets at the balance sheet date was:

	Gross	**Impair-ment**	Gross	Impair-ment
	2010	**2010**	2009	2009
	£000	**£000**	£000	£000
Not past due	**114,373**	-	116,128	-
Past due 0-30 days	-	-	288	-
Past due 31-120 days	-	-	397	-
More than 120 days	**32**	-	69	-
	114,405	-	116,882	-

Notes *(continued)*

14 Financial instruments *(continued)*

14 (c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company has adopted a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet obligations as they fall due.

The directors have reviewed the company's cashflow forecasts and profit projections. These forecasts demonstrate that the company expects to comply with its banking covenants and meet its liabilities as they fall due.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2010						2009					
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities												
Secured bank loans	105,874	140,017	3,551	3,632	11,657	121,177	107,131	143,401	3,384	3,551	11,250	125,216
Trade and other payables*	1,527	1,527	1,527	-	-	-	2,310	2,310	2,310	-	-	-
Amounts due to parent undertaking	10,196	36,878	1,530	1,530	4,591	29,227	10,237	38,409	1,486	1,574	4,591	30,758
Derivative financial liabilities												
Interest rate swaps used for hedging	17,713	20,721	4,406	3,792	5,621	6,902	12,261	15,166	4,396	2,920	2,663	5,187
	135,310	199,143	11,014	8,954	21,869	157,306	131,939	199,286	11,576	8,045	18,504	161,161

* Excludes derivatives (shown separately).

Notes *(continued)*

14 Financial instruments *(continued)*

14 (d) Cash flow hedges

Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	2010						2009					
	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps:												
Liabilities	**17,713**	**20,721**	**4,406**	**3,792**	**5,621**	**6,902**	12,261	15,167	4,396	2,920	2,663	5,187
		20,721	**4,406**	**3,792**	**5,621**	**6,902**	12,261	15,167	4,396	2,920	2,663	5,187

Notes *(continued)*

14 Financial instruments *(continued)*

14 (e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The company manages interest rate risk by swapping its variable rate debt into a fixed rate by the line of an interest rate swap at the start of the project.

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the company's interest-bearing financial instruments was:

	2010	2009
	£000	£000
Fixed rate instruments		
Financial assets	**112,804**	114,762
Financial liabilities	**(10,196)**	(10,237)
	102,608	104,525
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**(105,874)**	(107,131)
	(105,874)	(107,131)

Sensitivity analysis

A sensitivity analysis has not been performed on the basis that the majority of variable interest rates are swapped for fixed rates and the entity is not exposed to foreign exchange risk.

Market risk – Equity price risk

The company holds no equities and as such is not exposed to this risk.

14 (f) Capital management

The company manages its cash, bank loans and overdrafts and equity as capital. The Company's principal objective is to ensure that the company has sufficient capital to fund its operations. In developing business plans, the directors consider the likely capital requirements and how to fund these requirements. Additional capital is funded by the least cost source at the time of fund-raising.

Notes *(continued)*

15 Related parties

Administrative, financial and technical services were provided to the company during the period by companies related to Amey Ventures Investments Limited, Infrastructure Investments Holdings Limited and BOS Infrastructure (No. 3) Limited.

Other related party transactions

Administrative, financial and operating expenses incurred from

	2010	2009
	£000	£000
Other related parties		
- Amey Ventures Investments Limited	**4,065**	4,122
- Infrastructure Investments Holdings Limited	**480**	3,414
- BOS Infrastructure (No. 3) Limited	**7,278**	7,513
	11,823	15,049

Payables to

Other related parties		
- Amey Ventures Investments Limited	**3,656**	4,685
- Infrastructure Investments Holdings Limited	**3,059**	3,727
- BOS Infrastructure (No. 3) Limited	**110,481**	114,119
	117,196	118,519

16 Ultimate parent company and parent company of larger group

The company is a wholly owned subsidiary of RSP (Holdings) Limited, a company incorporated in Scotland.

The consolidated financial statements if RSP (Holdings) Limited are available to the public and may be obtained from:

Companies House
Crown Way
Cardiff
CF14 3VZ

At 31 December 2010, 35% of RSP (Holdings) Limited's share capital was held by Amey Venture Investments Limited, 35% by BOS Infrastructure (No. 3) Limited and 30% by Infrastructure Investment Holdings Limited.

Notes *(continued)*

17 Service concession arrangement

The principal activities of the company are the design, redevelopment, financing and operation of schools and associated services under a Private Finance Initiative (PFI) agreement for a period of thirty-two years pursuant to and in accordance with the terms of an agreement with the Renfrewshire Council.

This agreement was signed on 22 March 2005, with construction of the schools commencing in that month and completion in March 2008. From March 2008 through until the end of the PFI agreement, the company will ensure that the schools are made available to the Renfrewshire Council and during this period provide maintenance and lifecycle related services to the schools in support of this obligation.

In return the grantor, being the Renfrewshire Council, will provide the company with a guaranteed annual payment for each year that the schools are made available with there being some scope for performance related deductions which would be passed onto the sub-contractor providing the operational and maintenance services.

The standard rights of the grantor to terminate the agreement include poor performance by the company and in the event of a material breach of terms of the agreement. The standard rights of the company to terminate the agreement include failure of the grantor to make payments under the agreement and a material breach of the terms of the agreement.

The company's financial statements outline the financial performance under the PFI agreement.

18 Explanation of transition to Adopted IFRSs

As stated in note 1, these are the company's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2010, the comparative information presented in these financial statements for the year ended 31 December 2009 and in the preparation of an opening IFRS balance sheet at 1 January 2009 (the company's date of transition).

In preparing its opening IFRS balance sheet, the company has adjusted amounts, where applicable, 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 Adopted IFRSs has affected the company's financial position and financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

18 Explanation of transition to Adopted IFRSs *(continued)*

Reconciliation of equity

		1 January 2009			**31 December 2009**		
			Effect of transition to			**Effect of transition to**	
	Note	UK GAAP £000	Adopted IFRSs £000	Adopted IFRSs £000	**UK GAAP £000**	**Adopted IFRSs £000**	**Adopted IFRSs £000**
Non-current assets							
Other financial assets	*a*	104,543	5,272	109,815	**102,666**	**4,080**	**106,746**
Deferred tax	*d*	1,778	3,708	5,486	**1,768**	**1,197**	**2,965**
		106,321	8,980	115,301	**104,434**	**5,277**	**109,711**
Current assets							
Other financial assets	*a*	3,606	2,943	6,549	**3,608**	**4,408**	**8,016**
Trade and other receivables		1,837	-	1,837	**2,165**	**-**	**2,165**
Cash and cash equivalents		7,696	-	7,696	**6,879**	**-**	**6,879**
		13,139	2,943	16,082	**12,652**	**4,408**	**17,060**
Total assets		119,460	11,923	131,383	**117,086**	**9,685**	**126,771**
Current liabilities							
Other interest-bearing loans and borrowings	*b*	(2,691)	(2,019)	(4,710)	**(1,915)**	**(411)**	**(2,326)**
Trade and other payables		(3,118)	2,019	(1,099)	**(2,760)**	**450**	**(2,310)**
Tax payable	*d*	-	(521)	(521)	**-**	**(610)**	**(610)**
Derivative financial instruments	*c*	-	(421)	(421)	**-**	**(4,396)**	**(4,396)**
		(5,809)	(942)	(6,751)	**(4,675)**	**(4,967)**	**(9,642)**
Non-current liabilities							
Other interest-bearing loans and borrowings	*b*	(118,172)	1,790	(116,382)	**(116,697)**	**1,655**	**(115,042)**
Derivative financial instruments	*c*	-	(20,977)	(20,977)	**-**	**(7,865)**	**(7,865)**
		(118,172)	(19,187)	(137,359)	**(116,697)**	**(6,210)**	**(122,907)**
Total liabilities		(123,981)	(20,129)	(144,110)	**(121,372)**	**(11,177)**	**(132,549)**
Net liabilities		(4,521)	(8,206)	(12,727)	**(4,286)**	**(1,492)**	**(5,778)**

Notes *(continued)*

18 Explanation of transition to Adopted IFRSs *(continued)*

		01 January 2009			**31 December 2009**		
	Note	UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000	**UK GAAP £000**	**Effect of transition to Adopted IFRSs £000**	**Adopted IFRSs £000**
Equity attributable to equity holders of the parent							
Share capital		50	-	50	**50**	**-**	**50**
Cash flow hedging reserve	*c*	-	(15,407)	(15,407)	**-**	**(8,828)**	**(8,828)**
Retained earnings		(4,571)	7,201	2,630	**(4,336)**	**7,336**	**3,000**
Total equity		(4,521)	(8,206)	(12,727)	**(4,286)**	**(1,492)**	**(5,778)**

Notes to the reconciliation of equity

a) Other financial assets

This adjustment represents the movement in the approach to revenue recognition approach used under UK GAAP to one that has been adopted under Adopted IFRSs. In summary the adjustment is a re-profiling of the unitary charge receipts over the life of the PFI contract.

Under UK GAAP there were a number of accounts associated with the unitary income while under Adopted IFRS this is all treated as one balance being a financial asset with interest being recognised on the balance outstanding based on the effective interest method.

The revenue recognition methodology adopted by the company under IFRS is as prescribed under IFRIC 12 and specifically IAS 11 and IAS 18.

b) Borrowings

Under Adopted IFRSs borrowings and their associated costs are recognised on an Effective Interest Rate (EIR) basis while under UK GAAP some borrowing costs where recognised either directly to the income statement or alternatively amortised over the life of the loans to which they relate. The adjustments represent the difference between these approaches to recognition of borrowing costs.

c) Financial instruments

Derivative financial instruments in a hedging relationship were not previously recognised as assets or liabilities under UK GAAP while under IFRSs there is a requirement to recognise financial instruments at their fair value. The company holds an interest rate hedge with respect to its senior debt and this adjustment recognises the liability associated with that hedge. In recognising this liability, the company has chosen to hedge account for its financial instruments as they qualify as being effective as prescribed under IAS 39.

d) Current and deferred tax

The adjustments to current and deferred tax balances recognised in the balance sheet arise as a result of the above adjustments.

Notes *(continued)*

18 Explanation of transition to Adopted IFRSs *(continued)*

Reconciliation of profit for the year ending 31 December 2009

	Note	2009 UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue	*a*	5,742	8	5,750
Operating expenses		(4,124)	(68)	(4,192)
Operating profit		1,618	(60)	1,558
Financial income	*a*	7,205	25	7,230
Financial expenses	*b*	(8,496)	222	(8,274)
Net financing expense		(1,291)	247	(1,044)
Profit before tax		327	187	514
Taxation	*c*	(92)	(52)	(144)
Profit for the year attributable to equity		235	135	370

Notes to the reconciliation of profit

a) Revenue and financial income

The adjustment represents the difference between the UK GAAP and adopted IFRSs approaches to revenue recognition and the adjustments impact on two elements of the profit in loss account with changes to revenue recognised on activities undertaken and the financial result being interest on the financial asset balance outstanding. The revenue recognition methodology adopted by the company under adopted IFRSs is as prescribed under IFRIC 12 and IAS 11 and IAS 18.

b) Financial expenses

Under adopted IFRSs borrowings and their associated costs are recognised on an effective rate basis while under UK GAAP some borrowing costs were recognised either directly to the income statement or alternatively amortised over the life of the loans to which they relate.

c) Taxation

The taxation adjustments arises because of the changes in profitability resulting from the above adjustments.

Explanation of material adjustments to the cash flow statement for 31 December 2010.

There are no significant adjustments to the cash flow statement.