Company Registration No. 03841821

Kajima Partnerships Limited

Annual Report and Financial Statements

31 December 2016

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Kajima Partnerships Limited

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Kajima Partnerships Limited

Officers and professional advisers

Directors

H Ichiki
J M Rudd-Jones
N W M G Chism
Y Yatsuzuka
M Maeda
K G V Taylor
G Doctor

Secretary

D M Hedge

Registered office

55 Baker Street
London
United Kingdom
W1U 8EW

Bankers

Sumitomo Mitsui Banking Corporation Europe Limited

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Strategic report

Business review

During the year the company made various acquisitions as set out below. In addition, on 9 November 2016 the company subscribed for £6,093,900 9.25% unsecured subordinated loan notes in HLR Schools Holding Limited, these being redeemable in 2041.

Results and dividends

As shown in the company's profit and loss account on page 8, the company's turnover (consisting principally of commercial and PFI project management fees) decreased by 2.9% and operating loss increased by 24.2% compared with the previous year. These results were attributable to the following main factors:

- A marginal decrease in PFI income to £4.38m (2015: £4.87m), reflecting reduced success fees and bid recharges compared with the previous year; and
- An increase in property income to £1.64m (2015: £1.32m), reflecting an increase in development management fees received in 2016.

However, the reduction in turnover was more than offset by an increase in interest and dividends receivable and the company made a pre-tax profit of £3.64m (2015: £2.67m).

No dividend was paid in the year (2015: £nil) and the directors recommend that no final dividend be paid (2015: £nil).

Financial position

The balance sheet on page 9 of the financial statements shows that the company's financial position at the year-end has improved by £3.64m in terms of its total net assets compared to the previous year-end.

Acquisitions

Acquisition of remaining 50% of Academy Schools Sheffield PFI project

On 20 January 2016, Redwood Partnership Ventures 2 Limited ("RPV2") and its owners – the company (25%) and Infrastructure Investments Holdings Limited ("IIHL") (75%) – purchased the remaining 50% of the issued share capital of Academy Services (Sheffield) Holdings Limited ("ASSH") from the Trustees of Kier Group Pension Scheme ("Kier"). This was achieved through RPV2's purchase of 50 £1 ordinary shares in Sheff Schools Topco Limited ("SSTL"), together with £360,000 SSTL 13% unsecured loan notes and accrued interest at par, for a total cash consideration of £3,925,122.

In order to provide RPV2 with the necessary funds to enable it to complete the above acquisition, the company and IIHL subscribed for 2,424,120 new £1 ordinary shares in RPV2 for cash at par, and the company and IIHL's associate, Infrastructure Investments General Partner Limited, subscribed for £1,500,000 9.75% unsecured loan notes for cash at par.

The company's total 25% share of the purchase consideration was £1,354,999 made up as follows:

- 606,280 RPV2 £1 ordinary shares £606,280
- £375,000 RPV2 9.75% unsecured loan notes £375,000
- £360,000 13% SSTL unsecured loan notes plus accrued interest £373,719

Acquisition of Hinchingbrooke Hospital PFI project

In two transactions – 50% from Kier on 29 April 2016 and 50% from two funds managed by Innisfree Limited on 9 June 2016 – RPV2 purchased the entire share capital of Prospect Healthcare (Hinchingbrooke) Holdings Limited, the 100% owner of Prospect Healthcare (Hinchingbrooke) Limited, for £4,858,735, together with £2,058,769 12% unsecured loan notes 2035, for a total cash consideration of £7,045,000 including accrued interest on the loan notes.

In order to provide RPV2 with the necessary funds to enable it to complete the above acquisition, the company and IIHL subscribed for 5,045,000 new £1 ordinary shares in RPV2, and the company and IIGP subscribed for £2,000,000 new 9.75% RPV2 unsecured loan notes all for cash at par.

The company's total 25% share of the purchase consideration was £1,761,250 made up as follows:

- 1,261,250 RPV2 £1 ordinary shares £1,261,250
- £500,000 RPV2 9.75% unsecured loan notes £500,000

Strategic report (continued)

Acquisitions (continued)

Acquisition of 50% holding in Genr8 (Rochdale) Limited

On 7 April 2016, the company entered into a 50:50 joint venture with Genr8 Developments LLP ("GDL"), both parties subscribing for 100 ordinary shares of £1 each for cash at par in Genr8 (Rochdale) Limited ("GRL), whose sole object is the development of Rochdale Riverside, a new shopping and leisure destination in Rochdale town centre. Under the terms of the shareholders' agreement, to finance the initial development costs, the company agreed to subscribe for an initial tranche of £1,500,000 10% unsecured loan notes in GRL for cash at par, of which £750,000 and £175,000 was advanced on 10 June and 31 October 2016 respectively. It was also agreed that interest on the loan would be rolled up and compounded on a quarterly basis. The agreement further specifies that once planning permission has been granted, GRL will raise finance from third parties to fund the construction costs and repay the unsecured loan and accrued interest to the company.

Future developments

The company is continuing to expand its interests in the PPP/PFI sector directly and through joint ventures, first by bidding for new projects, second by acquisition of interests in existing projects in their operational phase, and third by entering into contracts to manage third party projects.

Going concern

The company meets its day-to-day working capital requirements principally through a short-term borrowing facility from its ultimate UK parent company, Kajima Europe Limited. The following are potential risks to the company:

- the incidence of losses on its investments in PFI projects; and
- its failure to win any further projects or to raise the necessary senior debt to finance such projects, having incurred substantial bid costs.

In respect of its PFI projects, the company maintains rolling cash flow forecasts based on the respective bank-approved financial forecasts, which are regularly updated to reflect actual cash movements and any projected changes; these forecasts are used to monitor each project company's ability to meet its future cash commitments and ensure compliance with the bank covenants.

With regard to prospective new projects, management closely monitors the company's markets and enters into the bidding process only in cases where there is a reasonable prospect of success.

Taking account of the company's net assets of £44.5m (2015: £40.9m) including cash of £0.66m (2015: £0.42m), and after making the necessary enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are set out under 'going concern' (above).

The directors do not consider there to be any material credit or pricing risk associated with the company's fee income derived from, or sales of its shares in, its joint venture companies, as these are all subject to contractual arrangements with local authorities, which are considered to be quasi-governmental organisations, the credit risk and associated cash flow risk are not considered significant.

The company is not exposed to any significant currency risks, as all its loans are denominated in sterling.

By Order of the Board

D M Hedge
Secretary

30 June 2017

Kajima Partnerships Limited

Directors' report

The directors present their annual report on the affairs of Kajima Partnerships Limited ("the company"), together with the audited financial statements and auditor's report, for the year ended 31 December 2016.

Principal activities

The company is a wholly-owned subsidiary of Kajima Estates (Europe) Limited.

The company's principal activity is the development and management of commercial property and public private partnership, including projects under the Government's Private Finance Initiative ("PFI"), in the UK.

There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Directors and their interests

The current directors of the company are shown on page 1. The following changes have taken place during the year or subsequently:

	Appointed	Resigned
G Doctor	02.06.16	
A Longshaw		03.01.17

None of the directors had any interests in the shares of the company or any other group company at any time during the year.

Qualifying third party indemnity provisions are currently in force for the benefit of certain directors.

Employees

The company's policy is to communicate with employees on matters affecting their interests at work and to inform them of the performance of the business. The group's policy is to treat all employees equally and to give full consideration to suitable applications for employment by disabled persons, having regard to the necessary abilities and skills for the position and, wherever possible, to retrain employees who become disabled so that they can continue their employment in another position.

Political and charitable donations

The company made no political donations during the year (2015: £nil). Charitable donations amounted to £6,800 (2015: £5,700).

Creditor payment policy

The company's policy is to agree payment terms with its suppliers when goods and services are ordered.

Disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

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

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

Directors' report (continued)

Auditor

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 and, unless the company receives notice under Section 488(1) of the Act, offer themselves for reappointment as auditors in accordance with the Companies Act.

By Order of the Board

D M Hedge
Secretary

30 June 2017

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgements and accounting 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of

Kajima Partnerships Limited

We have audited the financial statements of Kajima Partnerships Limited for the year ended 31 December 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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 auditors

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in the Companies Act 2006

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

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.



Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30th June 2017

Kajima Partnerships Limited

Profit and loss account
Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	6,018,585	6,197,713
Cost of sales		(2,108,656)	(2,170,426)
Gross Profit		3,909,929	4,027,287
Administrative expenses		(5,018,998)	(4,921,157)
Operating loss	5	(1,109,069)	(893,870)
Investment revenues	7	4,843,985	3,640,700
Finance costs	8	(95,862)	(96,930)
Profit on ordinary activities before taxation		3,639,054	2,649,900
Taxation	9	-	17,126
Profit on ordinary activities after taxation		3,639,054	2,667,026

All results are derived from continuing operations.

During the year the company acquired the remaining 50% interest of the Academy Schools Sheffield PFI project, 100% of the Hinchingbrooke Hospital PFI project and a 50% holding in Genr8 (Rochdale) Limited.

The company had no other comprehensive income in either the current or preceding year and, accordingly, total comprehensive income for the year in both periods was equal to retained profit and no statement of comprehensive income is presented.

The notes on pages 11 to 23 form part of these financial statements.

Kajima Partnerships Limited

Balance sheet
As at 31 December 2016

	Note	2016 £	2015 £
Non-current assets			
Tangible fixed assets	10	20,953	15,848
Investment in subsidiaries and joint ventures	11	9,663,765	7,804,255
Debtors: amounts falling due after more than one year	12	46,372,590	38,033,613
		56,057,308	45,853,716
Current assets			
Debtors: amounts falling due within one year	13	3,374,805	4,412,272
Cash at bank and in hand		663,010	418,236
		4,037,815	4,830,508
Current liabilities			
Trade and other payables	14	(1,505,980)	(1,653,197)
Tax liabilities	15	(129,905)	(155,822)
Borrowing	16	(13,931,111)	(2,735,210)
		(15,566,996)	(4,544,229)
Net current liabilities		(11,529,181)	286,279
Total assets less current liabilities		44,528,127	46,139,995
Non-current liabilities		-	(5,250,922)
Net assets		44,528,127	40,889,073
Capital and reserves			
Called up share capital	17	100,000	100,000
Profit and loss account		44,428,127	40,789,073
Shareholder's funds		44,528,127	40,889,073

The financial statements of Kajima Partnerships Limited, registered number 03841821, were approved by the Board of Directors on 30 June 2017 and signed on its behalf by:

N W M G Chism

Director

The notes on pages 11 to 23 form part of these financial statements

Kajima Partnerships Limited

Statement of changes in equity
Year ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2015	100,000	38,122,047	38,222,047
Profit for the year	-	2,667,026	2,667,026
Balance at 31 December 2015	100,000	40,789,073	40,889,073
Profit for the year	-	3,639,054	3,639,054
Balance at 31 December 2016	100,000	44,428,127	44,528,127

The notes on pages 11 to 23 form part of these financial statements

Notes to the financial statements
Year ended 31 December 2016

1. GENERAL INFORMATION

Kajima Partnerships Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2. Details of the company's immediate and ultimate parent undertakings, including the address of where the consolidated financial statements can be obtained, are provided in Note 21.

2. ACCOUNTING POLICIES

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Frameworks'.

Currency

These financial statements have been prepared in pounds sterling because that is the currency of the primary economic activity in which the company operates (its functioning currency).

Consolidated accounts

The company is exempt from the obligation to prepare and deliver group accounts under S.400 Companies Act 2006 as it is itself a subsidiary undertaking of an EU parent and is included in the parent's consolidated accounts. Since the UK parent company, Kajima Europe Limited, produces consolidated financial statements, these accounts present information about the company as an individual undertaking and not its group.

FRS 101 disclosure exemptions

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Kajima Europe Limited, the group accounts of which are available to the public and can be obtained as set out in Note 21.

Going concern

The company meets its day to day working capital requirements principally through a short-term borrowing facility from its ultimate UK parent company, Kajima Europe Limited. As a result of market uncertainty due to the economic environment, the following are potential risks to the company:

- the incidence of losses on its investments in PFI projects; and
- its failure to win any further projects or to raise the necessary senior debt to finance such projects, having incurred substantial bid costs.

In respect of its PFI projects, the company maintains rolling cash flow forecasts based on the respective bank-approved financial models, which are regularly updated to reflect actual cash movements and any projected changes; these forecasts are used to monitor each project company's ability to meet its future cash commitments and ensure compliance with the bank covenants.

With regard to prospective new projects, management a closely monitors its markets and enters into the bidding process only in cases where there is a reasonable prospect of success.

Taking account of the company's net assets of £44.5m (2015: £40.9m), and after making the necessary enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Revenue recognition

Turnover represents fee income for project management and property development services, exclusive of value added tax, and is recognised on an accruals basis. There has been no variation between the cash value and the fair value of the consideration received.

Notes to the financial statements (continued)
Year ended 31 December 2016

2. ACCOUNTING POLICIES (continued)

Pre-contract costs

Costs incurred for the purpose of obtaining new contracts ('bid costs') are written off as incurred and included in cost of sales.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Tangible fixed assets

Fixtures and equipment are stated at cost less accumulated depreciation. Depreciation is provided in equal annual instalments over the estimated useful lives of computer equipment at the rate of 33.3% per annum.

Fixed asset investments

Investments in subsidiary and joint venture undertakings are valued at cost less provisions for any impairments.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The subordinated loans due to the company are recognised on issue at par, any associated costs being written off to the profit and loss account.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Where assets are assessed to be impaired, provisions are made on an ad hoc basis, the carrying values being adjusted and the profit and loss account debited accordingly.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. All the company's subordinated loans are for predetermined periods and have fixed coupons on the basis of which interest income is accrued.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Employee benefits

The company offers a defined contribution pension scheme. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes to the financial statements (continued)
Year ended 31 December 2016

2. ACCOUNTING POLICIES (continued)

Related party transactions

The company is a wholly-owned subsidiary of the Kajima Europe Limited group of companies and has taken advantage of the exemption that is conferred by FRS 101 paragraph 101.8(k) that allows it not to disclose transactions with group companies.

Operating profit

Operating profit is stated after charging any restructuring costs but before investment income and finance costs.

Taxation

Tax charge or credit for the year

The tax expense for the year represents the total of current taxation and deferred taxation.

Current taxation

The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The directors do not believe there to be any judgements in the application of the accounting policies.

The estimates and underlying assumptions are continuously reviewed. 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 the revision and future periods if the revision affects both current and future periods.

The directors do not consider there to be any key sources of estimation uncertainty regarding the carrying values of the company's assets and liabilities in shown these in financial statements.

4. TURNOVER

Turnover, which was wholly derived from the UK (2015: wholly derived from the UK), is analysed as follow:

	2016 £	2015 £
PFI project management and related income	4,377,588	4,874,202
Property development and management services	1,640,997	1,323,511
	6,018,585	6,197,713

Notes to the financial statements (continued)
Year ended 31 December 2016

5. OPERATING LOSS

Operating loss is stated after charging:

	2016	2015
	£	£
Bid costs	138,480	494,956
Fees payable to the company's auditor:		
Audit of the annual accounts:		
Company	37,000	38,000
Total audit fees	37,000	38,000
Non-audit services:		
Taxation compliance services	-	10,014
Total non-audit fees	-	10,014
Total fees (all borne by the company)	37,000	48,014

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2016	2015
	£	£
Directors' remuneration:		
Emoluments	949,260	741,454
Pension contributions	67,909	40,180
	1,017,169	781,634
Highest paid director:		
Emoluments	320,245	301,552
Pension contributions	-	-
	320,245	301,552

All pension contributions are to defined contribution plans.

	2016	2015
	£	£
Employee costs (including directors) during the year:		
Wages and salaries	3,693,350	3,490,640
Social security costs	474,052	431,244
Other pension costs	383,692	423,672
	4,551,094	4,345,556
	No.	No.
Average number of persons including directors employed:		
Administration	19	18
Project management	52	45
	71	63

Notes to the financial statements (continued)
Year ended 31 December 2016

7. INVESTMENT REVENUES

	2016 £	2015 £
Dividends received from joint ventures:		
Redwood Partnership Ventures Limited	650,000	150,000
Redwood Partnership Ventures 2 Limited	350,000	-
Redwood Partnership Ventures 3 Limited	-	12,000
Total dividends received	1,000,000	162,000
Interest receivable:		
Subordinated loans	3,841,153	3,478,271
Group	2,706	-
Bank	126	429
Total interest receivable	3,843,985	3,478,700
Total investment revenues	4,843,985	3,640,700

The group interest receivable was all due from the immediate parent undertaking.

8. FINANCE COSTS

	2016 £	2015 £
UK parent company	95,862	96,930

9. TAXATION

(a) Tax credit for the year

	2016 £	2015 £
Current tax:		
UK corporation tax on profit for the year	-	-
Adjustments in respect of prior years – group relief	-	17,126
Tax credit on ordinary activities	-	17,126

Notes to the financial statements (continued)
Year ended 31 December 2016

9. TAXATION (continued)

(b) Factors affecting tax credit for the year

The tax credit for the year can be reconciled with that calculated by applying the standard rate of UK corporation tax to the profit before tax as follows:

	2016 £	2015 £
Profit on ordinary activities before tax	3,639,054	2,649,900
Profit on ordinary activities multiplied by the effective rate of UK corporation tax of 20% (2015: 21.25%*)	(727,811)	(536,605)
Effects of:		
Non-taxable income	200,000	32,805
Depreciation in excess of capital allowances	(2,588)	(3,746)
Expenses not deductible for tax purposes	(16,726)	(13,429)
Other short-term timing differences	13,691	(5,117)
Transfer pricing adjustment	320	108
Group relief claimed for nil consideration	533,114	525,984
Adjustment in respect of prior years	-	17,126
Current tax credit for the year	-	17,126

*Blended rate for 2015

(c) Deferred taxation

A potential deferred tax asset of £1.0m (2015: £1.0m), primarily in relation to short-term timing differences, has not been recognised on the basis that it is not expected to have any practical value in the short term.

Deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. In the 2016 budget, the Government announced its intention to reduce the tax rate in stages to 17% by 2020 and, accordingly, deferred tax assets and liabilities at the end of the reporting period have been measured at 17% (2015: 18%), as it is anticipated that the timing differences will reverse at this rate.

10. TANGIBLE FIXED ASSETS

	Computer equipment £
Cost	
At 1 January 2016	82,158
Additions	18,044
At 31 December 2016	100,202
Depreciation	
At 1 January 2016	66,310
Charge for the year	12,939
At 31 December 2016	79,249
Net book value	
At 31 December 2016	20,953
At 31 December 2015	15,848

Notes to the financial statements (continued)
Year ended 31 December 2016

11. FIXED ASSETS – INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Cost and net book value	Shareholdings £
At 1 January 2016	7,804,255
Acquisitions	1,867,630
Disposals	(8,120)
At 31 December 2016	9,663,765

Comprising:

Entity	Activity	Holding	
Redwood Partnership Ventures Limited ("RPV")	PFI joint venture holding company	50%	1,642,501
Redwood Partnership Ventures 2 Limited ("RPV2")	PFI joint venture holding company	25%	7,776,378
Redwood Partnership Ventures 3 Limited ("RPV3")	PFI joint venture holding company	10%	218,286
Sapphire Extra Care (Holding) Limited	PFI intermediate holding company	50%	25,000
Kajima Healthcare (Bicester) Holding Limited	PFI intermediate holding company	100%	1,000
Seacole National Centre (Holding) Limited	PFI intermediate holding company	50%	50
HLR Schools Holding Limited ("HLR")	PFI intermediate holding company	45%	450
Genr8 (Rochdale) Limited	Urban regeneration	50%	100
			9,663,765

All the above companies are incorporated, and have their principal place of business, in the United Kingdom and are registered at the addresses listed below.

Entity	Registered office address
Redwood Partnership Ventures Limited ("RPV")	55 Baker Street, London, W1U 8EW
Redwood Partnership Ventures 2 Limited ("RPV2")	55 Baker Street, London, W1U 8EW
Redwood Partnership Ventures 3 Limited ("RPV3")	55 Baker Street, London, W1U 8EW
Sapphire Extra Care (Holding) Limited	55 Baker Street, London, W1U 8EW
Kajima Healthcare (Bicester) Holding Limited	55 Baker Street, London, W1U 8EW
Seacole National Centre (Holding) Limited	Interserve House, Livingston, EH54 6SF
HLR Schools Holding Limited ("HLR")	55 Baker Street, London, W1U 8EW
Genr8 (Rochdale) Limited	55 Baker Street, London, W1U 8EW

Acquisitions:		Holding	
Redwood Partnership Ventures 2 Limited ("RPV2")	See above	0% see below	1,867,530
Genr8 (Rochdale) Limited	See above	50%	100
			1,867,630

Disposals:			
Redwood Partnership Ventures 2 Limited ("RPV2")	See above	0%	(8,120)

Notes to the financial statements (continued)
Year ended 31 December 2016

11. FIXED ASSETS – INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (continued)

Acquisition of remaining 50% of Academy Schools Sheffield PFI project

On 20 January 2016, Redwood Partnership Ventures 2 Limited ("RPV2") and its owners – the company (25%) and Infrastructure Investments Holdings Limited ("IIHL") (75%) – purchased the remaining 50% of the issued share capital of Academy Services (Sheffield) Holdings Limited ("ASSH") from the Trustees of Kier Group Pension Scheme ("Kier"). This was achieved through RPV2's purchase of 50 £1 ordinary shares in Sheff Schools Topco Limited ("SSTL"), together with £360,000 SSTL 13% unsecured loan notes and accrued interest at par, for a total cash consideration of £3,925,122.

Acquisition of remaining 50% of Academy Schools Sheffield PFI project (continued)

In order to provide RPV2 with the necessary funds to enable it to complete the above acquisition, the company and IIHL subscribed for 2,424,120 new £1 ordinary shares in RPV2 for cash at par, and the company and IIHL's associate, Infrastructure Investments General Partner Limited, subscribed for £1,500,000 9.75% unsecured loan notes for cash at par.

The company's total 25% share of the purchase consideration was £1,354,999 made up as follows:

- 606,280 RPV2 £1 ordinary shares £606,280
- £375,000 RPV2 9.75% unsecured loan notes £375,000
- £360,000 13% SSTL unsecured loan notes plus accrued interest £373,719

Acquisition of Hinchingbrooke Hospital PFI project

In two transactions – 50% from Kier on 29 April 2016 and 50% from two funds managed by Innisfree Limited on 9 June 2016 – RPV2 purchased the entire share capital of Prospect Healthcare (Hinchingbrooke) Holdings Limited, the 100% owner of Healthcare (Hinchingbrooke) Limited, for £4,858,736, together with £2,058,769 12% unsecured loan notes 2035, for a total cash consideration of £7,045,000 including accrued interest on the loan notes.

In order to provide RPV2 with the necessary funds to enable it to complete the above acquisition, the company and IIHL subscribed for 5,045,000 new £1 ordinary shares in RPV2, and the company and IIGP subscribed for £2,000,000 new 9.75% RPV2 unsecured loan notes all for cash at par.

The company's total 25% share of the purchase consideration was £1,761,250 made up as follows:

- 1,261,250 RPV2 £1 ordinary shares £1,261,250
- £500,000 RPV2 9.75% unsecured loan notes £500,000

Acquisition of 50% holding in Genr8 (Rochdale) Limited

On 7 April 2016, the company entered into a 50:50 joint venture with Genr8 Developments LLP ("GDL"), both parties subscribing for 100 ordinary shares of £1 each for cash at par in Genr8 (Rochdale) Limited ("GRL), whose sole object is the development of Rochdale Riverside, a new shopping and leisure destination in Rochdale town centre. Under the terms of the shareholders' agreement, to finance the initial development costs, the company agreed to subscribe for an initial tranche of £1,500,000 10% unsecured loan notes in GRL for cash at par, of which £750,000 and £175,000 was advanced on 10 June and 31 October 2016 respectively. It was also agreed that interest on the loan would be rolled up and compounded on a quarterly basis. The agreement further specifies that once planning permission has been granted, GRL will raise finance from third parties to fund the construction costs and repay the unsecured loan and accrued interest to the company.

Notes to the financial statements (continued)
Year ended 31 December 2016

12. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Interest rate	2016 £	2015 £
Subordinated loans due from joint venture undertakings:			
Ealing Schools Partnerships Holdings Limited	*13.00%*	1,046,162	1,046,162
Kajima North Tyneside Holdings Limited	*12.00%*	1,174,706	1,174,706
Wooldale Partnerships Holdings Limited	*12.60%*	572,620	572,620
Kajima Haverstock Holding Limited	*12.50%*	846,908	846,908
Children's Ark Partnerships Holding Limited	*12.50%*	1,750,000	1,750,000
Bootle Accommodation Partnership Holding Limited	*12.50%*	1,736,421	1,736,421
Kajima Darlington Schools Holding Limited	*12.25%*	1,444,689	1,444,689
Redwood Partnerships Ventures Limited	*12.0 – 13.0%*	6,050,000	6,050,000
Brentwood Healthcare Partnership Holding Limited	*12.50%*	550,000	550,000
Hadfield Healthcare Partnerships Holding Limited	*12.50%*	575,000	575,000
Kajima Newcastle Libraries Limited	*12.00%*	1,462,516	1,462,516
Academy Services (Norwich) Limited	*13.00%*	575,000	575,000
Academy Services (Oldham) Limited	*13.00%*	1,011,919	1,011,919
Academy Services (Sheffield) Limited	*13.00%*	810,000	450,000
Central Blackpool PCC Holding Company Limited	*12.00%*	330,000	330,000
HDM Schools Solutions (Holdings) Limited	*12.50%*	1,618,660	1,618,660
Ealing Care Alliance Limited	*12.30%*	650,000	650,000
Blue 3 (Gloucester Fire) Limited	*11.50%*	450,000	450,000
Redwood Partnerships Ventures 2 Limited	*9.75%*	5,547,550	4,672,550
Information Resources (Oldham) Limited	*13.00%*	98,798	98,798
Redwood Partnership Ventures 3 Limited	*9.75%*	164,222	164,222
Kajima Healthcare (Bicester) Holding Limited	*12.48%*	444,293	444,293
Sapphire Extra Care (Holding) Limited	*11.50%*	3,411,690	3,411,690
Seacole National Centre (Holding) Limited	*10.75%*	1,781,614	1,696,537
HLR Schools (Holding) Limited	*9.25%*	6,093,900	-
Genr8 (Rochdale) Limited	*10.00%*	925,000	-
		41,121,668	32,782,691
Amount due from UK parent undertaking	*Nil*	5,250,922	5,250,922
		46,372,590	38,033,613

Recovery of the subordinated loans due will be from 2016 to 2042. These loans are on identical terms to subordinated loans of the same amounts by the above companies to their respective subsidiaries.

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	151,517	381,661
Amounts owed by group undertakings	658,312	2,868,069
Amounts owed by joint venture undertakings	42,286	22,660
Prepayments and accrued income	2,419,681	1,040,718
Other debtors	103,009	99,164
	3,374,805	4,412,272

Prepayments and accrued income included £1,715,223 (2015: £897,907) interest on subordinated loans.

Notes to the financial statements (continued)
Year ended 31 December 2016

14. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Trade creditors	14,561	22,006
Other creditors	186,200	210,902
Accrued expenses	1,305,219	1,420,289
	1,505,980	1,653,197

15. TAX LIABILITIES

	2016 £	2015 £
Payroll tax and national insurance contributions	129,905	155,822

16. BORROWING

	2016 £	2015 £
Amounts owed to group undertakings (unsecured)	13,933,110	2,735,210

The above amount, which is all due to the company's immediate parent undertaking, Kajima Europe Limited ("KEL") includes a formal loan of £5.0m with an interest rate equal to the cost of borrowing from the external lender plus 1.5%. A further £3.7m is subject to a separate loan agreement for a variable amount with an interest rate of cost plus 0.125%. These loans are included within a total borrowing facility of £10m.

The balance of £5.2m, also due to KEL and previously classified as a long-term liability, was repaid in March 2017.

17. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2016 £	2015 £
100,000 ordinary shares of £1 each	100,000	100,000

All the shares rank pari passu.

Notes to the financial statements (continued)
Year ended 31 December 2016

18. RELATED PARTY TRANSACTIONS

Trading transactions

During the year, the company carried out a number of transactions with related parties in the normal course of business on an arm's length basis. The names of the related parties and the total value of the transactions are shown below:

	2016		2015	
	Value of transactions £	Receivable/ (payable) at year-end £	Value of transactions £	Receivable at year-end £
Ealing Schools Partnerships Limited	91,707	-	90,736	-
Ealing Schools Partnerships Holdings Limited	136,374	1,080,442	136,001	1,080,442
Kajima North Tyneside Limited	91,800	-	90,765	-
Kajima North Tyneside Holdings Limited	141,351	1,210,236	140,965	1,210,236
Wooldale Partnerships Limited	86,616	-	85,700	-
Wooldale Partnerships Holdings Limited	72,348	590,806	72,150	590,806
Kajima Haverstock Limited	76,512	-	75,650	-
Kajima Haverstock Holding Limited	103,154	882,292	105,683	882,292
Children's Ark Partnerships Limited	99,651	-	95,773	-
Children's Ark Partnerships Holdings Limited	219,349	1,805,137	218,750	1,805,137
Bootle Accommodation Partnership Limited	112,071	-	110,885	-
Bootle Accommodation Partnership Holding Limited	217,647	1,791,130	217,053	1,791,130
Kajima Darlington Schools Limited	86,704	-	85,726	-
Kajima Darlington Schools Holding Limited	177,459	1,489,296	176,974	1,489,296
Redwood Partnership Ventures Limited ("RPVL")	1,114,572	6,220,608	1,112,230	6,220,608
Brentwood Healthcare Partnership Limited	76,109	-	75,300	-
Brentwood Healthcare Partnership Holding Limited	68,938	601,798	68,750	567,329
Hadfield Healthcare Partnerships Limited	82,783	-	81,907	-
Hadfield Healthcare Partnerships Holding Limited	72,072	628,956	71,875	592,920
Kajima Newcastle Libraries Limited	71,415	43,128	70,610	-
Kajima Newcastle Libraries Holding Limited	175,983	1,521,177	175,502	1,521,177
Academy Services (Norwich) Limited	77,902	-	77,140	-
Academy Services (Norwich) Holdings Limited	74,955	631,318	74,750	593,841
Academy Services (Oldham) Limited	78,882	-	77,140	-
Academy Services (Oldham) Holdings Limited	133,939	1,111,032	123,500	1,043,048
Academy Services (Sheffield) Limited	77,902	-	77,150	-
Academy Services (Sheffield) Holdings Limited	500,849	889,336	58,500	494,075
Central Blackpool PCC Limited	75,591	-	74,792	-
Central Blackpool PCC Holding Company Limited	39,708	359,836	39,600	339,981
HDM Schools Solutions Limited	83,696	-	82,922	-
HDM Schools Solutions (Holdings) Limited	202,886	1,771,102	204,181	1,669,659
Ealing Care Alliance Limited	97,269	-	106,578	-
Ealing Care Alliance (Holdings) Limited	87,990	716,113	716,113	672,118
Blue 3 (Gloucester Fire) Limited	78,586	-	77,701	-
Blue 3 (Gloucester Fire) Holdings Limited	51,892	488,990	51,750	463,044
Redwood Partnership Ventures 2 Limited ("RPV2")	1,518,531	5,948,456	729,806	4,798,661
Information Resources (Oldham) Limited	71,416	-	70,611	-
Information Resources (Oldham) Holdings Limited	12,879	102,035	12,843	102,035
Redwood Partnership Ventures 3 Limited ("RPV3")	26,223	175,264	29,504	169,120
Kajima Healthcare (Bicester) Limited	28,931	(10,830)	36,744	-
Kajima Healthcare(Bicester) Holding Limited	55,600	458,269	55,448	486,069
Sapphire Extra Care Limited	143,542	-	200,559	-
Sapphire Extra Care Holdings Limited	216,950	3,411,690	182,650	3,413,179
Seacole National Centre Limited	105,148	2,983	100,941	-
Seacole National Centre Holdings Limited	117,085	1,813,622	96,491	1,696,537
HLR Schools Limited	388,014	-	759,582	3,040
HLR Schools Holding Limited	6,174,427	6,174,427	-	-
Genr8 (Rochdale) Limited	970,529	970,529	-	-

Notes to the financial statements (continued)
Year ended 31 December 2016

18. RELATED PARTY TRANSACTIONS (continued)

Trading transactions (continued)

All the above amounts have arisen from transactions in the normal course of business. No amounts due from related parties have been provided for or written off as bad debts.

The nature of the transactions is as follows:

- Holding companies: interest receivable on subordinated loans.
- Project companies, RPVL, RPV2 and RPV3: management fees receivable.

There were no transactions with directors or their associates in either period.

Transactions with other group companies are covered by the exemption that is conferred by IAS 24 (International Accounting Standard No.24, Related Party Disclosures) that allows exemption from disclosure of a transaction between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by the member.

19. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Amounts contracted for but not provided in the financial statements:

	2016 £	2015 £
PFI project companies – subordinated loans	-	7,000,000
Genr8 (Rochdale) Limited – balance of agreed loan	575,000	-
	575,000	7,000,000

The directors are not aware of any contingent liabilities incurred by the company (2015: none).

20. POST BALANCE SHEET EVENTS

The directors are not aware of any significant events affecting the company since the year-end.

21. ULTIMATE AND IMMEDIATE PARENT COMPANY

The company's ultimate controlling entity, ultimate parent company and parent company of the largest group of which the company is a member and for which group financial statements are prepared is Kajima Corporation, a company incorporated in Japan. Copies of the group financial statements of Kajima Corporation are available from 2-7 Motoakasaka 1-chome, Minato-ku, Tokyo 107-8388 Japan.

The company's immediate parent is Kajima Estates (Europe) Limited, a company incorporated in Great Britain. The smallest group of which the company is a member and for which group financial statements are prepared is Kajima Europe Limited, also incorporated in Great Britain. Copies of the group financial statements are available from the registered office, as shown on page 1.

Notes to the financial statements (continued)
Year ended 31 December 2016

22. CURRENT SUBSIDIARIES AND JOINT VENTURES

The company currently holds investments in the following companies, which include 23 single purpose PFI project companies via intermediate holding companies and one non-PFI project company.

Name	Client	Sector	Percentage holding	Financial close date	Stage
Kajima North Tyneside Limited Kajima North Tyneside Holdings Limited	North Tyneside Council	Education	50% *	December 2002	Operation
Ealing Schools Partnerships Limited Ealing Schools Partnerships Holding Limited	London Borough of Ealing	Education	50% *	December 2002	Operation
Wooldale Partnerships Limited Wooldale Partnership Holding Limited	Northampton Borough Council	Education	50% *	March 2003	Operation
Bootle Accommodation Partnership Limited Bootle Accommodation Partnership Holding Limited	Health & Safety Executive	Office accommodation	50% *	October 2003	Operation
Kajima Haverstock Limited Kajima Haverstock Holding Limited	London Borough of Camden	Education	50% *	October 2003	Operation
Kajima Darlington Schools Limited Kajima Darlington Schools Holding Limited	Darlington Borough Council	Education	50% *	March 2004	Operation
Children's Ark Partnerships Limited Children's Ark Partnerships Holdings Limited	Brighton Health Care NHS Trust	Health	50% *	June 2004	Operation
Kajima Newcastle Libraries Limited Kajima Newcastle Libraries Holding Limited	Newcastle City Council	Education	50% *	June 2007	Operation
Brentwood Healthcare Partnership Limited Brentwood Healthcare Partnership Holding Limited	South West Essex Primary Care Trust	Health	25% **	June 2006	Operation
Hadfield Healthcare Partnership Limited Hadfield Healthcare Partnership Holding Limited	Sheffield Teaching Hospitals NHS Foundation Trust	Health	25% **	November 2004	Operation
Academy Services (Norwich) Limited Academy Services (Norwich) Holdings Limited	Norfolk County Council	Education	25% **	March 2006	Operation
Academy Services (Oldham) Limited Academy Services (Oldham) Holdings Limited	Oldham Metropolitan Borough Council	Education	25% **	May 2006	Operation
Academy Services (Sheffield) Limited Academy Services (Sheffield) Holdings Limited	Sheffield City Council	Education	25% **	April 2005	Operation
Central Blackpool PCC Limited Central Blackpool PCC Holding Company Limited	NHS Blackpool	Health	25% **	December 2008	Operation
HDM Schools Solutions Limited HDM Schools Solutions (Holdings) Limited	West Lothian Council	Education	25% **	August 2007	Operation
Blue 3 (Gloucester Fire) Limited Blue 3 (Gloucester Fire) Holding Limited	Gloucestershire County Council	Fire Station	25% **	March 2011	Operation
Ealing Care Alliance Limited Ealing Care Alliance (Holdings) Limited	London Borough of Ealing	Residential care	21% **	September 2015	Operation
Prospect Healthcare (Hinchingbrooke) Limited Prospect Healthcare (Hinchingbrooke) Holdings Limited	Hinchingbrooke NHS Trust	Health	25% **	March 2004	Operation
Information Resources (Oldham) Limited Information Resources (Oldham) Investment Limited Information Resources (Oldham) Holdings Limited	Oldham Metropolitan Borough Council	Education	10% ***	May 2004	Operation
Sapphire Extra Care Limited Sapphire Extra Care (Holding) Limited	Stoke on Trent City Council	Residential care	50%	July 2014	Develop-ment
Kajima Healthcare (Bicester) Limited Kajima Healthcare (Bicester) Holding Limited	Secretary of State for Health	Health	100%	March 2013	Operation
Seacole National Centre Limited Seacole National Centre (Holding) Limited	Common Services Agency for the Scottish Health Service	Health	50%	October 2014	Develop-ment
HLR Schools Solutions Limited HLR Schools Solutions (Holdings) Limited	Secretary of State for Education	Education	45%	March 2015	Develop-ment
Redwood Partnership Ventures Limited	N/A	Various	50%	N/A	N/A
Redwood Partnership Ventures 2 Limited	N/A	Various	25%	N/A	N/A
Redwood Partnership Ventures 3 Limited	N/A	Education	10*	N/A	N/A
Genr8 (Rochdale) Limited	N/A	Urban regeneration	50%****	N/A	N/A

* These investments are held through the company's shareholding in Redwood Partnership Ventures Limited.
** These investments are held through the company's shareholding in Redwood Partnership Ventures 2 Limited.
*** These investments are held through the company's shareholding in Redwood Partnership Ventures 3 Limited.
**** Joint venture with Genr8 Developments LLP.

All the above-named companies are incorporated in Great Britain and are included in the balance sheet at cost less any impairment. All are public private partnerships and all except Genr8 (Rochdale) Limited are in the PFI sector.

The company is currently pursuing further PFI projects in all of the above and related sectors.