Company Registration No. 04420821 (England and Wales)

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2018

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# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | G Daullxhi<br>N Woodburn |
| **Secretary** | HCP Management Services Limited |
| **Company number** | 04420821 |
| **Registered office** | 8 White Oak Square<br>London Road<br>Swanley<br>Kent<br>BR8 7AG |
| **Auditor** | Deloitte LLP<br>Statutory Auditor<br>London<br>United Kingdom |
| **Bankers** | Commerzbank AG<br>London Branch<br>PO Box 52715<br>London<br>EC2P 2XY |

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## CONTENTS


| | Page |
|---|---|
| Directors' report | 1 - 2 |
| Directors' responsibilities statement | 3 |
| Independent auditor's report | 4 - 6 |
| Statement of comprehensive income | 7 |
| Balance sheet | 8 |
| Statement of changes in equity | 9 |
| Notes to the financial statements | 10 - 21 |

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## DIRECTORS' REPORT

## *FOR THE YEAR ENDED 31 DECEMBER 2018*

The Directors present their annual report and audited financial statements for the year ended 31 December 2018.

**Principal activities**
The principal activity of the Company is the design, build and operation of three schools for the London Borough of Enfield (the Authority) under a Private Finance Initiative (PFI) agreement.

Financial close was achieved on 24 September 2003. The concession period is 26 years. The completion certificate for the initial construction works received was received on 21 July 2005. The construction of the schools was completed in July 2005, and the schools are now operational. The Company will operate the schools until the end of the concession on 31 August 2029.

On 15 January 2018 the Facilities Management for the Company, Carillion Integrated Services Limited ("CIS") and its Performance Guarantor, Carillion Plc ("Carillion") entered into compulsory liquidation. PricewaterhouseCoopers ("PwC") were appointed as Special Managers to ensure services continued whilst an alternative service provider was put in place. On 31 January 2019 following authority and lender approval, Pinnacle FM Limited was appointed as the new Facilities Management contractor, with Pinnacle Group Limited assuming the role of performance guarantor. Pinnacle FM Limited has acted as the interim facilities management contractor since 29 March 2018 until its appointment as the permanent contractor in January 2019.

The Company is wholly owned by Education Support (Enfield 2) Holdings Limited, whose ultimate parent company was John Laing Infrastructure Fund Limited. John Laing Infrastructure Fund Limited was taken over on 28 September 2018 by Jura Acquisition Limited, a newly formed Guernsey registered company, subsidiary of Jura Holdings Limited owned by a consortium jointly-led by a fund managed by Dalmore Capital Limited and Equitix Investment Management Limited. The Directors now regard Jura Holdings Limited as the ultimate parent of the Company. On 12 October 2018, John Laing Infrastructure Fund Limited was renamed Jura Infrastructure Limited.

**Directors**
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

G Daullxhi
N Woodburn

**Going concern**
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

**Results**
The results for the year are set out on page 7.

**Qualifying third party indemnity provisions**
The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

**Financial risk management objectives and policies**

***Liquidity risk***
The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Company negotiated debt facilities with an external party to ensure that the Company has sufficient funds over the life of the PFI concession.

***Interest rate risk***

The Company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Company uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates.

***Credit risk***

The Company's principal financial assets are cash, financial assets and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

***Lifecycle risk***

Lifecycle expenditure is the main risk to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

**Future developments**

The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

**Auditor**

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Statement of disclosure to auditor**

Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The Directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



G Daullxhi
**Director**
21 March 2019

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2018*

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 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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; 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.

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF EDUCATION SUPPORT (ENFIELD 2) LIMITED

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Education Support (Enfield 2) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes on pages 10 - 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

**Other information**

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

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

We have nothing to report in respect of these matters.

**Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

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 Directors' report.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)
## TO THE MEMBERS OF EDUCATION SUPPORT (ENFIELD 2) LIMITED

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

**Use of our report**

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



**John Clacy FCA (Senior Statutory Auditor)**
for and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
21 March 2019

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

### *FOR THE YEAR ENDED 31 DECEMBER 2018*

| | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Turnover** | 3 | 2,675 | 2,407 |
| Cost of sales | | (2,857) | (2,280) |
| **Gross (loss)/profit** | | (182) | 127 |
| Interest receivable and similar income | 7 | 1,247 | 1,326 |
| Interest payable and similar expenses | 8 | (1,069) | (1,156) |
| **(Loss)/profit before taxation** | | (4) | 297 |
| Tax on (loss)/profit | 9 | 1 | (57) |
| **(Loss)/profit for the financial year** | | (3) | 240 |
| **Other comprehensive income** | | | |
| Cash flow hedges gain arising in the year | 13 | 645 | 615 |
| Tax relating to other comprehensive income | 15 | (110) | (104) |
| **Total comprehensive income for the year** | | 532 | 751 |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## BALANCE SHEET

### *AS AT 31 DECEMBER 2018*

| | Notes | 2018 £'000 | 2018 £'000 | 2017 £'000 | 2017 £'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Debtors falling due after more than one year | **11** | 19,008 | | 20,529 | |
| Debtors falling due within one year | **11** | 1,851 | | 2,238 | |
| Cash at bank and in hand | | 1,924 | | 1,292 | |
| | | 22,783 | | 24,059 | |
| **Creditors: amounts falling due within one year** | **12** | (8,797) | | (8,510) | |
| **Net current assets being total assets less current liabilities** | | | 13,986 | | 15,549 |
| **Creditors: amounts falling due after more than one year** | **13** | | (15,540) | | (17,635) |
| **Net liabilities** | | | (1,554) | | (2,086) |
| **Capital and reserves** | | | | | |
| Called up share capital | **16** | | 1 | | 1 |
| Hedging reserve | **16** | | (1,753) | | (2,288) |
| Profit and loss reserves | **16** | | 198 | | 201 |
| **Total deficit** | | | (1,554) | | (2,086) |

The financial statements were approved by the board of directors and authorised for issue on 21 March 2019 and are signed on its behalf by:

G Daullxhi
**Director**

**Company Registration No. 04420821**

# EDUCATION SUPPORT (ENFIELD 2) LIMITED

## STATEMENT OF CHANGES IN EQUITY

***FOR THE YEAR ENDED 31 DECEMBER 2018***

| | Notes | Called up share capital £'000 | Hedging reserve £'000 | Profit and loss reserves £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | | 1 | (2,798) | 121 | (2,676) |
| **Year ended 31 December 2017:** | | | | | |
| Profit for the year | | - | - | 241 | 241 |
| Other comprehensive income: | | | | | |
| Cash flow hedges gains | | - | 615 | - | 615 |
| Tax relating to other comprehensive income | | - | (104) | - | (104) |
| Total comprehensive income for the year | | - | 511 | 241 | 751 |
| Dividends | 10 | - | - | (161) | (161) |
| **Balance at 31 December 2017** | | 1 | (2,288) | 201 | (2,086) |
| **Year ended 31 December 2018:** | | | | | |
| Loss for the year | | - | - | (3) | (3) |
| Other comprehensive income: | | | | | |
| Cash flow hedges gains | | - | 645 | - | 645 |
| Tax relating to other comprehensive income | | - | (110) | - | (110) |
| Total comprehensive income for the year | | - | 535 | (3) | 532 |
| **Balance at 31 December 2018** | | 1 | (1,753) | 198 | (1,554) |

### 1 Accounting policies

**Company information**

Education Support (Enfield 2) Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pounds sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value and in accordance with FRS 102. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

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

The financial statements of the Company are consolidated in the financial statements of Education Support (Enfield 2) Holdings Limited. Copies of the consolidated accounts are available from Companies House.

### 1.2 Going concern

The Company is in a net liabilities position as at 31 December 2018 due to the fair value of the interest rate swaps. The Directors have reviewed the Company's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the Company can continue to meet its debts as they fall due.

The Directors therefore, at the time of approving the financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

On 15 January 2018 the Facilities Management for the Company, Carillion Integrated Services Limited ("CIS") and its Performance Guarantor, Carillion Plc ("Carillion") entered into compulsory liquidation. PricewaterhouseCoopers ("PwC") were appointed as Special Managers to ensure services continued whilst an alternative service provider was put in place. On 31 January 2019 following authority and lender approval, Pinnacle FM Limited was appointed as the new Facilities Management contractor, with Pinnacle Group Limited assuming the role of performance guarantor.

Given the above, the Directors are of the opinion that the Company remains a going concern and therefore can continue to realise its assets and discharge its liabilities in the normal course of business.

**1 Accounting policies** **(Continued)**

**1.3 Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

**1.4 Cash and cash equivalents**

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

**1.5 Financial instruments**

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

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the balance sheet, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Basic financial assets***

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Other financial assets***

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 **Accounting policies** **(Continued)**

***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'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

***Service concession***

The Company is a special purpose entity that has been established to provide services under certain private finance agreements with the London Borough of Enfield (the Authority). Under the terms of these Agreements, the Authority (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Company has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Authority), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at each reporting end 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**1 Accounting policies** **(Continued)**

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Other financial liabilities***

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

**1.6 Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

**1.7 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Company does not hold or issue derivative financial instruments for speculative purposes.

**1 Accounting policies** **(Continued)**

***Hedge accounting***

The Company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

**1.8 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

***Deferred tax***

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

## 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

***Hedge accounting***

The Directors consider the Company to have met the criteria for hedge accounting; the Company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

***Valuation of derivative financial instruments***

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £2,293,000 (2017: a liability of £2,980,000). The Directors do not consider the impact of own credit risk to be material.

***Service concession arrangement***

As disclosed in Note 1, the Company accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Company's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

## 3 Turnover and other revenue

An analysis of the Company's turnover is as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Turnover analysed by class of business** | | |
| Service fee income | 2,513 | 2,372 |
| Passthrough income | 76 | 3 |
| Variation income | 86 | 32 |
| | 2,675 | 2,407 |

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Other significant revenue** | | |
| Interest income | 1,247 | 1,326 |

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Turnover analysed by geographical market** | | |
| United Kingdom | 2,675 | 2,407 |

## 4 Auditor's remuneration

| Fees payable to the Company's auditor and associates: | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **For audit services** | | |
| Fees payable to the Company's auditor for the audit of the Company and the Company's parent company | 16 | 16 |

## 5 Employees

The Company had no employees during the current or prior year.

## 6 Directors' remuneration

No directors received any remuneration for services to the Company during the current or prior year.

## 7 Interest receivable and similar income

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Interest income** | | |
| Interest on bank deposits | - | 1 |
| Other interest income | 1,247 | 1,325 |
| Total interest income | 1,247 | 1,326 |

## 8 Interest payable and similar expenses

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Interest on financial liabilities measured at amortised cost:** | | |
| Interest on bank overdrafts and loans | 844 | 931 |
| Interest payable to parent undertakings | 225 | 225 |
| Total interest expense | 1,069 | 1,156 |

## 9 Taxation

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Current tax** | | |
| UK coporation tax on (losses)/profits for the current period | (1) | 57 |

For the year ended 31 December 2018, the UK corporation tax rate of 19% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| (Loss)/profit before taxation | (4) | 298 |
| Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%) | (1) | 57 |
| Taxation (credit)/charge in the financial statements | (1) | 57 |

In addition to the amount (credited)/charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Deferred tax arising on: | | |
| Revaluation of financial instruments treated as cash flow hedges | 110 | 105 |

## 10 Dividends

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Interim paid | - | 161 |

## 11 Debtors

| Amounts falling due within one year: | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Trade debtors | | 1 | 486 |
| Corporation tax recoverable | | 15 | - |
| Financial asset | | 1,411 | 1,332 |
| Prepayments and accrued income | | 424 | 420 |
| | | 1,851 | 2,238 |

| Amounts falling due after more than one year: | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Financial asset | | 18,649 | 20,060 |
| Deferred tax asset | 15 | 359 | 469 |
| | | 19,008 | 20,529 |
| **Total debtors** | | 20,859 | 22,767 |

## 12 Creditors: amounts falling due within one year

| | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Bank loans and overdrafts | 14 | 1,409 | 1,357 |
| Trade creditors | | 133 | 13 |
| Amounts owed to parent undertakings | 14 | 300 | 189 |
| Corporation tax | | - | 31 |
| Other taxation | | 100 | 96 |
| Bank loan accrued interest | | 83 | 72 |
| Unitary charge control account | | 6,333 | 6,565 |
| Accruals and deferred income | | 439 | 187 |
| | | 8,797 | 8,510 |

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

| | Notes | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Bank loans and overdrafts | 14 | 11,372 | 12,780 |
| Amounts owed to parent undertakings | 14 | 1,875 | 1,875 |
| Derivative financial instruments measured at fair value through profit or loss | | 2,293 | 2,980 |
| | | 15,540 | 17,635 |

**Derivative financial instruments**

The swaps have a fixed interest rate of 5.11% and expire in 2028. The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is six months' LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

The fair value of the derivative financial instrument above comprises the fair value of the interest rate swap designated in an effective hedging relationship. The change in fair value of the interest rate swap that was recognised in other comprehensive income in the period was a gain of £645,000 (2017: gain of £615,000).

Amounts included above which fall due after five years are as follows:

| | 2018 | 2017 |
|---|---|---|
| Payable by instalments | 7,598 | 7,136 |
| Payable other than by instalments | 1,875 | 1,860 |
| | 9,473 | 8,996 |

## 14 Loans and overdrafts

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Bank loans | 12,781 | 14,137 |
| Loans from parent undertakings | 1,875 | 1,875 |
| | 14,656 | 16,012 |
| Payable within one year | 1,409 | 1,357 |
| Payable after one year | 13,247 | 14,655 |
| | 14,656 | 16,012 |

The loans are secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company.

**14 Loans and overdrafts** **(Continued)**

**Bank Loans**
The Company has bank loans provided by Commerzbank which were used to finance the construction of the project. The loans are repayable in instalments based on an agreed percentage amount of the total facilities per annum through to 2028.

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps to mitigate its interest exposure (see note 13). The fixed interest rate, after taking into consideration the swap, is 8.36% during the operational phase.

**Subordinated Loans**
Loans from parent undertaking comprise loans of £1,875,000 (2017: £1,875,000). The loans are subject to interest rates at an agreed arms length rate of 12% per annum and repayable by 2029 in line with agreed repayment schedules. Accrued interest of £300,000 (2017: £189,000) is outstanding as at 31 December 2018.

**15 Deferred taxation**

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| **Balances:** | **Assets 2018 £'000** | **Assets 2017 £'000** |
|---|---|---|
| Deferred tax on interest rate swap fair value | 359 | 469 |

| **Movements in the year:** | **2018 £'000** |
|---|---|
| Liability/(Asset) at 1 January 2018 | (469) |
| Charge to other comprehensive income | 110 |
| Liability/(Asset) at 31 December 2018 | (359) |

The deferred tax asset in relation to the interest rate swap liability is expected to affect profit or loss over the period to maturity of the interest rate swap.

During the year beginning 1 January 2019, the net reversal of deferred tax assets and liabilities is expected to be £57,000. The net reversal of the deferred tax asset will have no impact on the corporation tax charge for next year.

### 16 Called up share capital

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Ordinary share capital** | | |
| **Alloted, called and paid up to 2p each:** | | |
| - 50,000 ordinary shares of £1 each * | 1 | 1 |

* When the Company was incorporated 50,000 shares valued at £1 were issued. As at the Balance Sheet date, only 2 pence per share has been paid. The other 98 pence per share may be called upon in the future at the Company's request.

**Other reserves**
The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

### 17 Related party transactions

As a wholly owned subsidiary of Jura Infrastructure Limited, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the Jura Infrastructure group. A copy of the financial statements of Jura Infrastructure Limited can be obtained from its registered office at Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY.

### 18 Controlling party

The Company's immediate parent undertaking is Education Support (Enfield 2) Holdings Limited, a company incorporated in Great Britain and registered in England and Wales, with a registered address of 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG. The smallest and largest group in which its results are consolidated is Education Support (Enfield 2) Holdings Limited. Copies of the consolidated accounts are available from Companies House.

Education Support (Enfield 2) Holding Limited's ultimate parent company, John Laing Infrastructure Fund Limited was taken over on 28 September 2018 by Jura Acquisition Limited, a subsidiary of Jura Holdings Limited owned by a consortium jointly-led by a fund managed by Dalmore Capital Limited and Equitix Investment Management Limited. The Directors now regard Jura Holdings Limited as the ultimate parent and ultimate controlling party of the Company. On 12 October 2018, John Laing Infrastructure Fund Limited was renamed Jura Infrastructure Limited.