

Company Registration No. 04768921 (England and Wales)

YORKSHIRE TRANSFORMATIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



YORKSHIRE TRANSFORMATIONS LIMITED

COMPANY INFORMATION

Directors

Ms A Roshier
M Smith
C Solley
G Millichamp (Appointed 27 July 2016)
D Bolton (Appointed 6 February 2017)
Mr C Herriott (Appointed 1 September 2016)

Secretary

HCP Management Services Limited

Company number

04768921

Registered office

8 White Oak Square
London Road
Swanley
Kent
BR8 7AG

Auditor

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

YORKSHIRE TRANSFORMATIONS LIMITED

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YORKSHIRE TRANSFORMATIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The Company's principal activity is that of a Private Finance Initiative Concessionaire for the Yorkshire Transformations Project, under the terms of a Project Agreement dated 20 April 2005.

The Company's Project Agreement required it to finance, refurbish and maintain homes in the Swarcliffe area of Leeds. The concession is intended to continue to March 2035.

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

Results and dividends

The results for the year are set out on page 5. The Company made a profit of £574,000 (2015: £534,000) for the year on a turnover of £4,710,000 (2015: £3,935,000).

Ordinary dividends were paid amounting to £545,000. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Ms A Roshier	
M Smith	
C Solley	
Ms M Turnbull-Fox	(Resigned 1 September 2016)
T Hepton	(Resigned 27 July 2016)
V Carroll	(Resigned 31 December 2016)
Mr S Grant	(Appointed 8 March 2016 and resigned 13 September 2016)
G Millichamp	(Appointed 27 July 2016)
D Bolton	(Appointed 6 February 2017)
Mr C Herriott	(Appointed 1 September 2016)

Principal risk and uncertainties

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract in place. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance and position of the business.

Post reporting date events

The directors continue to develop the business in line with the contract and there are no issues expected.

YORKSHIRE TRANSFORMATIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

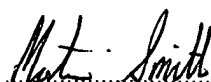
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



M Smith

Director

23rd June 17

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE TRANSFORMATIONS LIMITED

We have audited the financial statements of Yorkshire Transformations Limited for the year ended 31 December 2016 set out on pages 5 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF YORKSHIRE TRANSFORMATIONS LIMITED

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;
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Peter Meehan

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

28 June 2017

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
United Kingdom
B4 6GH

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YORKSHIRE TRANSFORMATIONS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Revenue	2	4,710	3,935
Gross profit		<u>4,710</u>	<u>3,935</u>
Administrative expenses		(4,165)	(3,519)
Operating profit	3	<u>545</u>	<u>416</u>
Finance Income	6	2,286	2,431
Finance costs	7	(2,113)	(2,177)
Profit before taxation		<u>718</u>	<u>670</u>
Income tax expense	8	(144)	(136)
Profit for the year		<u><u>574</u></u>	<u><u>534</u></u>

The notes on pages 11 to 24 form an integral part of these financial statements.

YORKSHIRE TRANSFORMATIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£'000	£'000
Profit for the year	574	534
	<u> </u>	<u> </u>
Other comprehensive income:		
Deferred tax on other comprehensive income	179	(402)
Cash flow hedges:		
Net change in fair value of cashflow hedge	(1,582)	1,114
	<u> </u>	<u> </u>
Total other comprehensive income for the year	(1,403)	712
	<u> </u>	<u> </u>
Total comprehensive income for the year	(829)	1,246
	<u> </u>	<u> </u>

YORKSHIRE TRANSFORMATIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

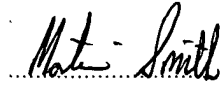
	Notes	2016 £'000	2015 £'000
Non-current assets			
Other receivables	9	22,611	21,748
Deferred tax asset	17	1,799	1,620
		<u>24,410</u>	<u>23,368</u>
Current assets			
Trade and other receivables	9	345	3,349
Cash and cash equivalents		8,799	8,081
		<u>9,144</u>	<u>11,430</u>
Total assets		<u>33,554</u>	<u>34,798</u>
Current liabilities			
Trade and other payables	16	1,280	1,530
Borrowings	15	1,141	1,201
Derivative financial instruments	15	622	529
		<u>3,043</u>	<u>3,260</u>
Net current assets		<u>6,101</u>	<u>8,170</u>
Non-current liabilities			
Borrowings	15	29,126	30,268
Derivative financial instruments	15	9,958	8,469
		<u>39,084</u>	<u>38,737</u>
Total liabilities		<u>42,127</u>	<u>41,997</u>
Net liabilities		<u>(8,573)</u>	<u>(7,199)</u>
Equity			
Share capital	18	-	-
Hedging reserve	19	(8,781)	(7,378)
Retained earnings		208	179
Total deficit		<u>(8,573)</u>	<u>(7,199)</u>

YORKSHIRE TRANSFORMATIONS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2016

The financial statements were approved by the board of directors and authorised for issue on 23rd June 17 and are signed on its behalf by:



M Smith
Director

Company Registration No. 04768921

YORKSHIRE TRANSFORMATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2015		(8,090)	121	(7,969)
Year ended 31 December 2015:				
Profit for the year		-	534	534
Other comprehensive income		712	-	712
Total comprehensive income for the year		712	534	1,246
Dividends paid		-	(476)	(476)
Balance at 31 December 2015		(7,378)	179	(7,199)
Year ended 31 December 2016:				
Profit for the year		-	574	574
Other comprehensive income		(1,403)	-	(1,403)
Total comprehensive income for the year		(1,403)	574	(829)
Dividends paid		-	(545)	(545)
Balance at 31 December 2016		(8,781)	208	(8,573)

YORKSHIRE TRANSFORMATIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	22	2,440	3,231
Interest paid		(2,125)	(2,177)
Tax paid		(136)	(128)
Net cash inflow from operating activities		179	926
Investing activities			
Interest received		2,286	2,431
Net cash generated from investing activities		2,286	2,431
Financing activities			
Repayment of borrowings		(71)	(109)
Repayment of bank loans		(1,131)	(1,188)
Dividends paid		(545)	(476)
Net cash used in financing activities		(1,747)	(1,773)
Net increase in cash and cash equivalents		718	1,584
Cash and cash equivalents at beginning of year		8,081	6,497
Cash and cash equivalents at end of year		8,799	8,081

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Yorkshire Transformations Limited is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments which are accounted for at fair value. The principal accounting policies adopted are set out below.

- The financial statements are presented in pound sterling, which is the functional currency. All amounts in the financial statements have been rounded to the nearest £1,000
- There were no new IFRS standards and interpretations adopted during the year.

Adoption of new and revised standards and changes in accounting policies

At the date of authorisation of these financial statements, the following Standards and Interpretations issued by IASB and IFRIC, which have not yet been applied in these financial statements, were in issue but not yet effective:

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations issued by IASB and IFRIC, which have not yet been applied in these financial statements, were in issue but not yet effective:

- IAS 12 Deferred Tax assets for unrealised losses - amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2017).
- IFRS 9 Financial Instruments - effective for annual periods beginning on or after 1 January 2018
- IFRS 15 Revenue from contracts with customers - Effective for annual periods beginning on or after 1 January 2018.
- Effective date of IFRS 15 - Amendment to IFRS 15 (effective for annual periods beginning on or after 1 January 2018).

1.2 Going concern

The directors have reviewed the Company's projected profits and cash flows by reference to a financial model. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.5 Cash and cash equivalents

Cash and cash equivalents 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.

1.6 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, 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.

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 of the investment have been affected.

Derecognition of financial assets

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

1.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.8 Equity instruments

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

1.9 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. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

1.10 Taxation

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

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 income statement, 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.

1.11 Finance debtor and Service income

The Company is an operator of the Private Finance Initiative (PFI) contract. The underlying asset is not deemed to be an asset of the Company, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

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

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.12 Judgements and key sources of estimation uncertainty

The preparation of these financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes may differ from those estimates. There are no significant accounting estimates or judgements required in the preparation of these financial statements.

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

2 Revenue

An analysis of the company's revenue is as follows:

	2016 £'000	2015 £'000
Turnover	4,710	3,935

3 Operating profit

	2016 £'000	2015 £'000
Operating profit for the year is stated after charging: Fees payable to the company's auditor for the audit of the company's financial statements	13	13

4 Employees

There were no employees during the year (2015: none). The directors have no contract of service with the company (2015: none).

5 Directors' remuneration

	2016 £'000	2015 £'000
Sums paid to third parties for directors' services	170	168

6 Finance income

	2016 £'000	2015 £'000
Finance income		
Bank deposits	6	-
Interest income on the finance asset	2,280	2,431
Total finance income	2,286	2,431

7 Finance costs

	2016 £'000	2015 £'000
Interest on bank overdrafts and loans	1,725	1,788
Other interest payable	388	389
Total interest expense	2,113	2,177

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Taxation

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

	2016 £'000	2015 £'000
Profit before taxation	718	670
Expected tax charge/(credit) based on a corporation tax rate of 20% (2015: 20.25%)	144	136
Tax charged in the financial statements	144	136

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £'000	2015 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(179)	402

	2016 £'000	2015 £'000
Current tax Expense:		
Current year charge	144	136
Total tax charge	144	136

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the future tax charge accordingly. The deferred tax asset has been calculated based on these rates.

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Trade and other receivables

	Current		Non-current	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade receivables	4	27	-	-
Amounts due from contract customers	313	2,557	22,611	21,748
Other receivables	2	739	-	-
Prepayments	26	26	-	-
	<u>345</u>	<u>3,349</u>	<u>22,611</u>	<u>21,748</u>

10 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

	Carrying value		Fair value	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade receivables net of allowances	4	27	4	27
Amounts due from contract customers < 1 yr	313	2,557	313	2,557
Other debtors	22,613	22,487	22,613	22,487
Prepayments	26	26	26	26
	<u>22,956</u>	<u>25,097</u>	<u>22,956</u>	<u>25,097</u>

No significant receivable balances are impaired at the reporting end date.

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Financial Instruments

All financial instruments valued at fair value are valued with reference to level two of the fair value hierarchy as set out in IFRS 7: Financial Instruments: Disclosures. Fair values are determined based on prices that are observable for the asset and liability, either directly or indirectly.

Fair Values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts are shown below.

	2016 £000 Carrying amount	2016 £000 Fair Value	2015 £000 Carrying amount	2015 £000 Fair value
Financial assets				
Finance Debtor	22,924	22,924	24,305	24,305
Other assets				
Cash and cash equivalents	8,799	8,799	8,081	8,081
Trade and other receivables	32	32	792	792
Deferred tax	1,799	1,799	1,620	1,620
Total other assets	<u>10,630</u>	<u>10,630</u>	<u>10,493</u>	<u>10,493</u>
Total financial assets	<u>33,554</u>	<u>33,554</u>	<u>34,798</u>	<u>34,798</u>
Designated cash flow hedge relationships				
Other financial liabilities	(10,580)	(10,580)	(8,998)	(8,998)
Total financial liabilities	<u>(10,580)</u>	<u>(10,580)</u>	<u>(8,998)</u>	<u>(8,998)</u>
Financial liabilities measured at amortised cost				
Interest bearing loans	(30,267)	(20,687)	(31,469)	(21,011)
Trade and other payables	(1,280)	(1,280)	(1,530)	(1,530)
Total financial liabilities measured at amortised cost	<u>(31,547)</u>	<u>(21,967)</u>	<u>(32,999)</u>	<u>(22,541)</u>
Total financial liabilities	<u>(42,127)</u>	<u>(32,547)</u>	<u>(41,997)</u>	<u>(31,539)</u>
Total financial instruments	<u>(8,573)</u>	<u>1,007</u>	<u>(7,199)</u>	<u>3,259</u>

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Liquidity risk

Liquidity risk is the risk that the company has insufficient financial resources available to meet its obligations as they fall due. Management review cashflow forecasts on a regular basis to determine whether the company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

The financial assets of the company are modelled so as to match the profile of the financial liabilities, the maturity analysis of which is set out below. Management closely monitor performance against the financial models and take action if necessary when performance is not in line with modelled expectations.

The table below summarises the maturity profile of the company's financial liabilities, on an undiscounted basis, at 31 December 2016 and 31 December 2015.

2016	Carrying values £000	Contractual Cashflows £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000
Non-derivative Financial Liabilities						
Bank loans	27,139	44,642	1,434	1,320	10,033	31,855
Unsecured loan notes	3,128	7,805	213	215	1,713	5,664
Trade and other payables	1,280	1,280	1,180	-	-	100
	<u>31,547</u>	<u>53,727</u>	<u>2,827</u>	<u>1,535</u>	<u>11,746</u>	<u>37,619</u>
Derivative Financial Liabilities						
Interest rate swaps used for hedging	10,580	10,580	156	467	2,489	7,468
	<u>42,127</u>	<u>64,307</u>	<u>2,983</u>	<u>2,002</u>	<u>14,235</u>	<u>45,087</u>
2015	Carrying values £000	Contractual Cashflows £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	More than 5 years £000
Non-derivative Financial Liabilities						
Bank loans	28,270	47,527	1,437	1,438	10,253	34,399
Unsecured loan notes	3,199	8,422	240	214	1,712	6,256
Trade and other payables	1,530	1,530	1,430	-	-	100
	<u>32,999</u>	<u>57,479</u>	<u>3,107</u>	<u>1,652</u>	<u>11,965</u>	<u>40,755</u>
Derivative Financial Liabilities						
Interest rate swaps used for hedging	8,998	8,998	125	375	2,000	6,498
	<u>41,997</u>	<u>66,477</u>	<u>3,232</u>	<u>2,027</u>	<u>13,965</u>	<u>47,253</u>

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 Interest Rate Risk

The company's exposure to market risk for changes in interest rates is considered to be very small, as all bank and other loans are at fixed rates. The risk for changes in interest rates is therefore restricted to the interest earned on bank deposits, which is immaterial to the company. It is the company's policy to settle trade payables within credit terms allowed and the company does therefore not incur interest on overdue balances.

The company manages interest rate risk on its primary borrowings by agreeing fixed interest rates on its unsecured loan notes and through the use of interest rate swaps on its variable rate bank loans. Under the interest rate swap the company agrees with the lender to exchange, at monthly or semi-annual intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

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

In the current year, the reserves of the company are affected by fluctuations in the fair value of the interest rate swaps. Over the term of the loans interest rates have been fixed, so as to minimise the cash flow interest rate risk. It is expected that at the end of the term of the swap, the liability will be £nil.

Whilst the variable interest rate is based on LIBOR, the fair value of the swaps is most sensitive to variations in the expectations of long term interest rates over the term of the swap. If expectations of future interest rates fall, the fair value of the interest rate swap will increase, whereas if expectations of long term interest rates increase, the value of the liability will reduce.

14 Credit Risk

Credit risk is the risk of financial loss where counterparties are not able or are willing to meet their obligations.

Finance asset receivable and trade receivables primarily comprise of amounts due from Leeds City Council. Management considers the credit quality of this debtor to be good in respect of the amounts outstanding, due to it being a government body, and therefore credit risk is considered to be low. Cash and cash equivalents comprise bank balances held with banks. To reduce the risk of counterparty default the company only uses approved high quality banks.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15 Borrowings

Bank Borrowings relate to term loan facilities granted by the bank on 18 March 2005. The loan facility is for a total value of £43,053,000 comprising £37,007,000 term loan facility, £4,002,000 equity bridge facility and £2,044,000 debt service facility. As at 31 December 2016 £27,139,000 (2015: £28,270,000) has been drawn comprising £27,139,000 (2015: £28,270,000).

The term loan is repayable in six-monthly installments which commenced on 30 September 2010 and end on 31 March 2033. Interest is charged on amounts drawn under the facilities based on floating LIBOR plus 0.90%

The company has entered into swap agreements fixing the rate at 5.292% until March 2033. The swap has been designated as a cashflow hedge. The hedge is 'highly effective'. The fair value of these derivatives is based on quoted prices in active markets, with movements in fair value each year recognised in the change in fair value of effective cash flow hedges within the statement of comprehensive income. At 31st December 2016 the fair value liability of the interest rate derivatives was £10,580,000 (2015: £8,998,000) the related deferred tax asset of £1,799,000 (2015: £1,620,000) has been recognised in the hedging reserve.

The company's secured creditors have the benefit of first ranking charges granted by the company over the whole of its investments, undertaking, property assets, insurances and rights over certain contracts, both present and future, together with a first ranking charge over all the ordinary shares of the company and those of its holding company, Yorkshire Transformation Holdings Limited

Under the terms of the Equity Subscription Agreement dated 18 March 2005, the shareholders of the holding company agreed to subscribe for Loan Stock in Yorkshire Transformations Holdings Limited of up to £4,002,000. £4,002,000 of the loan notes were subscribed to in January 2010 in proportion to shareholdings. In turn, on the same date the company's shareholder subscribed to £4,002,000 of loan notes in the company. The loan notes which are unsecured carry interest at 12% and are repayable in installments on or before 30 September 2035.

	2016 £'000	2015 £'000
Unsecured borrowings at amortised cost		
Bank loans	27,139	28,270
Other loans	3,128	3,199
	<u>30,267</u>	<u>31,469</u>

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2016 £'000	2015 £'000
Current liabilities	1,141	1,201
Non-current liabilities	29,126	30,268
	<u>30,267</u>	<u>31,469</u>

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Trade and other payables

	Current 2016 £'000	2015 £'000
Trade payables	17	464
Amounts due to fellow group undertakings	100	100
Accruals	892	647
Social security and other taxation	271	319
	<u>1,280</u>	<u>1,530</u>

17 Deferred taxation

The following are the major deferred tax assets recognised by the company and movements thereon during the current and prior reporting period.

Deferred tax assets are provided in compliance with IAS 12 as it is expected that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The deferred tax asset at 31 December 2016 has been calculated on the rate of 17% substantively enacted at the balance sheet date.

	Swap £'000
Deferred tax asset at 1 January 2015	2,022
Deferred tax movements in prior year	
On fair value of financial derivatives	(402)
Deferred tax asset at 1 January 2016	<u>1,620</u>
Deferred tax movements in current year	
On fair value of financial derivatives	179
Deferred tax asset at 31 December 2016	<u>1,799</u>

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:

	2016 £'000	2015 £'000
Deferred tax assets	<u>1,799</u>	<u>1,620</u>

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Share capital	2016	2015
	£	£
<i>Authorised, issued and fully paid</i>		
£1 ordinary share of £1	1	1
	<u> </u>	<u> </u>
19 Hedging reserve	2016	2015
	£'000	£'000
At 1 January 2016	(7,378)	(8,090)
Gains and losses on cash flow hedges	(1,582)	1,114
Tax on gains and losses on cash flow hedges	179	(402)
	<u> </u>	<u> </u>
At 31 December 2016	<u>(8,781)</u>	<u>(7,378)</u>

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cashflow hedging instruments relating to hedged transactions that have not yet occurred, net of tax.

20 Related party transactions

On 18 March 2005 the company entered into a contract for the provision of maintenance services for the properties with Yorkshire Housing Limited (formerly Yorkshire Community Housing Limited). The total value of work completed during this contract during the year was £2,474,000 (2015: £2,456,000). At the year end amounts owed to Yorkshire Housing Limited were £11,806 (2015: £398,141).

Under the terms of the Investor's agreement Yorkshire Housing Limited, Aberdeen Infrastructure (No3) Limited and DIF Infra 3 UK Ltd provide the company with its directors. The value of work undertaken in the year was £170,000 (£2015: £168,000). As at 31 December 2016 trade creditors and accruals includes Nil (£2015: £96,000) due to shareholders.

The total value of sub debt loan repayments including interest owing to the holding company, Yorkshire Transformations Holdings Limited at 31 December 2016 are £3,168,598 (£2015: £3,295,000). The interest payable charge to the holding company, Yorkshire Transformations Holdings limited in the year was £381,471 (2015: £389,000). As at 31 December 2016, in addition to the loan notes, there was £100,000 (2015: £100,000) owed to the holding company, Yorkshire Transformations Holdings Limited.

21 Controlling party

The Company is a wholly owned subsidiary undertaking of Yorkshire Transformations Holdings Limited incorporated in the United Kingdom, which is both the immediate and ultimate parent company. Copies of the financial statements of Yorkshire Transformations Holdings Limited can be obtained from 3 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The company's parent company is owned jointly by Yorkshire Housing Limited, Aberdeen Infrastructure (No 3) Limited and DIF Infra 3 UK Ltd. On 30 December 2014 DIF Infra 3 UK Ltd acquired the equity previously held by Carillion Private Finance Limited.

YORKSHIRE TRANSFORMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

22 Cash generated from operations

	2016 £'000	2015 £'000
Profit for the year	574	534
Adjustments for:		
Taxation charged	144	136
Finance costs	2,113	2,177
Finance income	(2,286)	(2,431)
Movements in working capital:		
Decrease in trade and other receivables	2,141	2,800
(Decrease)/increase in trade and other payables	(246)	15
Cash generated from operations	<u>2,440</u>	<u>3,231</u>