

AGP Holdings (1) Limited

Annual report and financial statements

Registered number 04152477

31 December 2016



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Strategic report

The directors present their Strategic report for AGP Holdings (1) Limited, the holding company of Annes Gate Property PLC for the year ended 31 December 2016.

Principal activities

The Group is the holding company of Annes Gate Property PLC whose principal activity is the finance, design and construction, refurbishment and partial operation of a Home Office building under the Government's Private Finance Initiative (PFI). The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Review and analysis of the business during the current year

The Group continued its principal activities throughout the current year. These activities are outlined above.

The Group has entered into a project agreement with Her Majesty's Principal Secretary of State for the Home Department (the "Authority"), together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements ('the Project Agreement'). The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain non-core services within the new Home Office for a primary term of twenty-nine years commencing 26 March 2002, the date of signing of the Project Agreement ('the Project') to 02 April 2031.

In order to achieve these objectives, the group's strategy is to sub-contract services to third party providers who hold the relevant technical knowledge and resources to deliver these services.

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider. In the year ended 31 December 2016, deductions of £26,100 (2015:£50,200) had been levied which represents 0.1% (2015: 0.1%) of revenue. The Directors feel the performance for the year to be satisfactory.

2. Financial performance

The Group have modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 December 2016, the Group's performance against this measure was satisfactory.

Position of the Group at the year end

The Group is in the operational phase of the contract. In the opinion of the directors the Project is proceeding satisfactorily to the standards of the contract.

Development and financial performance during the year

As reported in the Group's profit and loss account, revenue has decreased from £29,084,000 in 2015 to £24,997,000 in 2016. This is caused by a reduction in cost of sales due to lower contractual maintenance payments during the period.

The profit for the year after taxation was £6,181,000 (2015: £5,530,000). The increase compared to last year is due to a reduced tax charge in the current year as a result of deferred tax adjustments. The directors consider the results for the year satisfactory.

The balance sheet shows that the carrying value of the Group's net assets at year end was £14,661,000 (2015: £10,180,000).

Principal risks and uncertainties

The Authority is the sole client of the Group but the directors consider that no strategic risk arises from such a small client base since the client is a central government organisation and its obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

Strategic report (continued)

Principal risks and uncertainties (continued)

Performance risk under the Project Agreement and related contracts is passed on to the service provider or the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk and liquidity risk. Refer to note 15 for further detail.

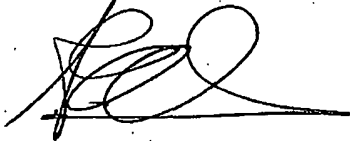
Future prospects

The Group will continue to provide and support the Authority, in its development of the Home Office under the PFI scheme.

Approval

This report was approved by the board on

2017 and signed on its behalf by:



A Caines
Director

2017

21 St Thomas Street
Bristol
BS1 6JS

Directors' report

for the year ended 31 December 2016

The Directors present their annual report and the audited financial statements of AGP Holdings (1) Limited for the year ended 31 December 2016.

Principal activity, key performance indicators, financial performance and principal risks and uncertainties during the year are mentioned in the Strategic Report on page 1-2.

Dividend

Ordinary dividends totalling £1,700,000 were declared during the year and paid to the shareholder (2015: £700,000). The Directors do not propose to pay a final dividend in respect of 2016 (2015: £nil).

Political and charitable contributions

There were no political or charitable contributions during the year (2015: £nil).

Directors

The Directors of the Group who held office during the year and to the date of signing these financial statements are listed below:

B Bodin

D J Carr

M Wayment

A Caines

Going Concern

Having made appropriate inquiries the directors consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

Directors' indemnity

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Group against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Financial instruments

The Group's principal financial instruments comprise of short term bank deposits, index-linked and fixed rate bonds. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities. Board approval is required for the use of any new financial instrument and the Group's ability to do so is restricted by covenants in its existing funding agreements.

Exposure to liquidity, credit and interest rate risks arise in the normal course of the Group's business. Further details relating to these risks are given in note 14 to the financial statements.

Directors' report *(continued)*

Interest-bearing bank loans and other borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Disclosure of information to auditor

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

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the group is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



A Caines
Director

2017

21 St Thomas Street
Bristol
BS1 6JS

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

Independent auditor's report to the members of AGP Holdings (1) Limited

We have audited the financial statements of AGP Holdings (1) Limited for the year ended 31 December 2016 set out on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29/6/2017

Consolidated profit and loss account
for year ended 31 December 2016

| | <i>Note</i> | 2016 £000 | 2015 £000 |
|--|-------------|---------------|---------------|
| Turnover | 2 | 24,997 | 29,084 |
| Cost of sales | | (15,981) | (19,925) |
| Gross profit | | 9,016 | 9,159 |
| Administrative expenses | | (806) | (1,099) |
| Operating profit | | 8,210 | 8,060 |
| Interest receivable and similar income | 5 | 14,902 | 15,020 |
| Interest payable and similar expenses | 6 | (16,405) | (16,214) |
| Profit before taxation | | 6,707 | 6,866 |
| Tax on profit | 7 | (526) | (1,336) |
| Profit for the financial year | | 6,181 | 5,530 |

All recognised gains and losses are shown in the Profit and Loss account above. Therefore, a statement of other comprehensive income has not been prepared.

The notes on pages 14 to 27 form an integral part of these financial statements.

Consolidated balance sheet
at 31 December 2016

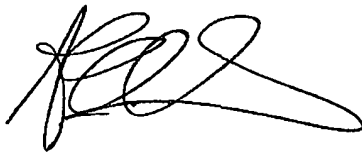
| | Note | 2016 £000 | 2015 £000 |
|--|------|----------------|----------------|
| Current assets | | | |
| Debtors (including £237,921,000 (2015: £242,076,000) due after more than one year) | 8 | 244,050 | 249,583 |
| Cash at bank and in hand | | 25,511 | 23,559 |
| Total current assets | | 269,561 | 273,142 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 9 | (18,496) | (17,922) |
| Net current assets | | 251,065 | 255,220 |
| Creditors: amounts falling due after more than one year | 10 | (231,840) | (241,002) |
| Provisions for liabilities and charges | 12 | (4,564) | (4,038) |
| Net assets | | 14,661 | 10,180 |
| Capital and reserves | | | |
| Called up share capital | 14 | 550 | 550 |
| Profit and loss account | | 14,111 | 9,630 |
| Equity shareholders' funds | | 14,661 | 10,180 |

The notes on pages 14 to 27 form an integral part of these financial statements.

These financial statements were approved by the board of directors on

and were signed on its behalf by:

A Caines
Director



Company registered number: 04152477

Company balance sheet
as at 31 December 2016

| | <i>Note</i> | 2016 £000 | 2015 £000 |
|--|-------------|----------------------------|----------------------------|
| Fixed assets | | | |
| Investments | 13 | 550 | 550 |
| Current assets | | | |
| Debtors (including £29,974,000 (2015: £29,974,000) due after more than one year) | 8 | 32,203 | 29,974 |
| Creditors: amounts falling due within one year | 9 | (2,229) | - |
| Net current assets | | <u>29,974</u> | <u>29,974</u> |
| Creditors: amounts falling due after more than one year | 10 | (29,974) | (29,974) |
| Net assets | | <u>550</u> | <u>550</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 550 | 550 |
| Equity shareholders' funds | | <u>550</u> | <u>550</u> |

During the year the Company made a profit of £nil (2015: £nil). Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The notes on pages 14 to 27 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on behalf by:

2017 and were signed on its



A Caines
Director

2017

Company registered number: 04152477

Consolidated statement of changes in equity

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|---|------------------------------------|------------------------------------|----------------------|
| Balance at 1 January 2015 | 550 | 4,800 | 5,350 |
| Total comprehensive income for the period | | | |
| Profit | - | 5,530 | 5,530 |
| Total comprehensive income for the period | - | 5,530 | 5,530 |
| Dividends | - | (700) | (700) |
| Total contributions by and distributions to owners | - | (700) | (700) |
| Balance at 31 December 2015 | 550 | 9,630 | 10,180 |

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|---|------------------------------------|------------------------------------|----------------------|
| Balance at 1 January 2016 | 550 | 9,630 | 10,180 |
| Total comprehensive income for the period | | | |
| Profit | - | 6,181 | 6,181 |
| Total comprehensive income for the period | - | 6,181 | 6,181 |
| Dividends | - | (1,700) | (1,700) |
| Total contributions by and distributions to owners | - | (1,700) | (1,700) |
| Balance at 31 December 2016 | 550 | 14,111 | 14,661 |

The notes on pages 14 to 27 form an integral part of these financial statements.

Company statement of changes in equity

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|------------------------------------|----------------------|
| Balance at 1 January 2015 | 550 | - | 550 |
| Total comprehensive income for the period | | | |
| Profit | - | 700 | 700 |
| Other comprehensive income | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the period | - | 700 | 700 |
| Dividends | - | (700) | (700) |
| | <hr/> | <hr/> | <hr/> |
| Total contributions by and distributions to owners | - | (700) | (700) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2015 | 550 | - | 550 |
| | <hr/> | <hr/> | <hr/> |

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|------------------------------------|----------------------|
| Balance at 1 January 2016 | 550 | - | 550 |
| Total comprehensive income for the period | | | |
| Profit | - | 1,700 | 1,700 |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the period | - | 1,700 | 1,700 |
| Dividend paid | - | (1,700) | (1,700) |
| | <hr/> | <hr/> | <hr/> |
| Total contributions by and distributions to owners | - | (1,700) | (1,700) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2016 | 550 | - | 550 |
| | <hr/> | <hr/> | <hr/> |

The notes on pages 14 to 27 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2016

| | Year ended 31 December 2016 £000 | Year ended 31 December 2015 £000 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit for the year | 6,181 | 5,530 |
| <i>Adjustments for:</i> | | |
| Interest receivable and similar income | (14,902) | (15,020) |
| Interest payable and similar charges | 16,405 | 16,214 |
| Taxation | 526 | 1,336 |
| | <hr/> 8,210 | <hr/> 8,060 |
| Decrease in debtors | 5,533 | 2,590 |
| Increase / (decrease) in creditors | (1,146) | (4,451) |
| | <hr/> 4,387 | <hr/> 6,199 |
| Tax paid | <hr/> - | <hr/> - |
| Net cash inflow from operating activities | <hr/> 12,597 | <hr/> 6,199 |
| Cash flows from investing activities | | |
| Interest received | 14,902 | 15,020 |
| Net cash (outflow) / inflow from investing activities | <hr/> 14,902 | <hr/> 15,020 |
| Cash flows from financing activities | | |
| Repayment of borrowings | (11,918) | (11,237) |
| Dividend paid | (1,700) | (700) |
| Interest paid | (11,929) | (12,081) |
| Net cash from financing activities | <hr/> (25,547) | <hr/> (24,018) |
| Net increase / (decrease) in cash | 1,952 | (2,799) |
| Cash and cash equivalents at 1 January | 23,559 | 26,358 |
| Cash and cash equivalents at 31 December | <hr/> <hr/> 25,511 | <hr/> <hr/> 23,559 |

The notes on pages 14 to 27 form an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

AGP Holdings (1) Limited is a private company limited by shares, registered in England and Wales and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issues in July 2015 have been applied. The presentation currency of these financial statements is sterling, and rounded to the nearest thousand.

The Company's parent undertaking, AGP Holdings (1) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of AGP Holdings (1) Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company has taken advantage of the exemption contained in FRS 102.33 and has therefore not disclosed transactions or balances with member of the same group which are wholly owned.

As the consolidated financial statements of AGP Holdings (1) Limited include the equivalent disclosures, the Group has also taken the exemptions under FRS 102 available in respect of the following disclosures:

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to April 2031. Having examined the current status of the Group'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.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Notes (continued)

1 Accounting policies (continued)

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Group is obligated to keep a separate cash reserve in respect of future major maintenance and debt service costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £17,316,000 at the year end (2015: £17,198,000).

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

1.6 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Notes (continued)

1 Accounting policies (continued)

1.6 Impairment excluding deferred tax assets (continued)

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Finance debtor and service income

The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Group under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

As the group entered into the contract prior to the date of transition to FRS102, the group has taken advantage of the exemption in section 35.10(i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

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

1.8 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

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

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

1.9 Taxation

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

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

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

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

1.10 Investments

Investments are held at cost less provisional of impairment, impairment is considered at each year end.

Notes (continued)

2 Turnover

| | 2016 £000 | 2015 £000 |
|------------------|--------------|--------------|
| Services revenue | 24,997 | 29,084 |

3 Expenses and Auditor's remuneration

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Audit of these financial statements | 1 | 1 |
| Amounts receivable by the company's auditor and its associates in respect of: | | |
| Audit of subsidiary companies | 15 | 14 |
| Taxation compliance services | - | 4 |

4 Staff costs and Directors' remuneration

The group had no employees during the year (2015: none).

None of the directors received any emoluments from the group (2015: £nil). However, a total payment of £123,000 (2015: £122,000) was made to Infrastructure Investment LP for the services of directors.

5 Other interest receivable and similar income

| | 2016 £000 | 2015 £000 |
|---------------------------------------|--------------|--------------|
| Interest receivable on finance debtor | 14,672 | 14,935 |
| Bank interest receivable | 230 | 85 |
| | 14,902 | 15,020 |

Notes (continued)

6 Interest payable and similar expenses

| | 2016 £000 | 2015 £000 |
|----------------------------------|---------------|---------------|
| Interest on fixed rate bonds | 5,661 | 5,661 |
| Interest on index linked bonds | 4,390 | 4,732 |
| Indexation on index linked bonds | 1,921 | 1,400 |
| Interest on subordinated debt | 4,433 | 4,421 |
| | <u>16,405</u> | <u>16,214</u> |

Of the above amount £4,433 (2015: £4,421) was payable to group undertakings.

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

| | £'000 | £'000 |
|--|------------|--------------|
| Group relief surrendered – prior years | - | (202) |
| Total current tax | <u>-</u> | <u>(202)</u> |
| <i>Deferred tax</i> | | |
| Reversal / origination of timing differences | 526 | 1,538 |
| Tax on profit | <u>526</u> | <u>1,336</u> |

Notes (continued)

7 Taxation (continued)

| | 2016 | | | 2015 | | |
|---------------------------------------|------------------------|-------------------------|----------------------|------------------------|-------------------------|----------------------|
| | Current Tax £000 | Deferred Tax £000 | Total Tax £000 | Current Tax £000 | Deferred Tax £000 | Total Tax £000 |
| Recognised in profit and loss account | - | 526 | 526 | (202) | 1,538 | 1,336 |
| Total tax | - | 526 | 526 | (202) | 1,538 | 1,336 |

Reconciliation of effective tax rate

The tax assessed for the period differs from the average standard rate of corporation tax in the UK 20% (2015: 20.25%). The difference is explained below:

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Profit after taxation | 6,181 | 5,530 |
| Total tax expense | 526 | 1,336 |
| Profit excluding taxation | 6,707 | 6,866 |
| Taxation using the UK corporation tax rate of 20% (2015: 20.25%) | 1,341 | 1,390 |
| Reduction in tax rate on deferred tax balances | (815) | (54) |
| Total tax recognised in profit and loss account | 526 | 1,336 |

The Company has tax losses of £49.4 million (2015: £54.1 million) which have been carried forward and will be offset against future taxable profits. A deferred taxation asset has been recognised for the tax losses.

Notes (continued)

7 Taxation (continued)

Deferred tax

Deferred tax is provided at 17% (2015: 20%) in the financial statements. The elements of deferred taxation are as follows:

| | Year ended 31 December 2016 £'000 | Year ended 31 December 2015 £'000 |
|--------------------------------------|--|--|
| Tax losses for prior periods | 8,391 | 10,827 |
| Total deferred tax asset | <u>8,391</u> | <u>10,827</u> |
| Accelerated capital allowances | (6,009) | (6,339) |
| Other timing differences | (6,946) | (8,526) |
| Total deferred tax liability | <u>(12,955)</u> | <u>(14,865)</u> |
| Deferred tax liability (see note 12) | <u>(4,564)</u> | <u>(4,038)</u> |

The deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Group. The future profits of the Group have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

Factors that may affect future current and total tax charges

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 Group's future current tax charge accordingly.

Notes (continued)

8 Debtors

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|----------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Finance debtor | 242,076 | 246,588 | - | - |
| Subordinated debt receivable | - | - | 29,974 | 29,974 |
| Trade debtors | - | 231 | - | - |
| Prepayments and accrued income | 307 | 504 | - | - |
| Consortium tax relief receivable | 636 | 628 | - | - |
| Unitary charge control account | 1,031 | 1,632 | - | - |
| Subordinated debt interest | - | - | 2,229 | - |
| | <u>244,050</u> | <u>249,583</u> | <u>32,203</u> | <u>29,974</u> |
| Due within one year | 6,129 | 7,507 | 2,229 | - |
| Due after more than one year | <u>237,921</u> | <u>242,076</u> | <u>29,974</u> | <u>29,974</u> |
| | <u>244,050</u> | <u>249,583</u> | <u>32,203</u> | <u>29,974</u> |

Amounts due from group undertakings due after more than one year are £29,974,000 (2015: £29,974,000).

Included in the finance debtor is an amount of £137.5 million which is subject to open market value testing two years and nine months before the date of expiry of the Project Agreement in 2031. In the opinion of the Directors this amount remains fully recoverable by the Group.

9 Creditors: amounts falling due within one year

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| 3.237% Index-linked Guaranteed Secured bonds due 2030 | 11,554 | 11,984 | - | - |
| Subordinated debt interest | 2,229 | - | 2,229 | - |
| Trade creditors | - | 2 | - | - |
| Other creditors | 963 | 915 | - | - |
| Accruals and deferred income | 3,750 | 5,021 | - | - |
| | <u>18,496</u> | <u>17,922</u> | <u>2,229</u> | <u>-</u> |

10 Creditors: amounts falling after more than one year

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| Subordinated debt capital | 29,974 | 29,974 | 29,974 | 29,974 |
| 3.237% Index-linked Guaranteed Secured bonds due 2030 | 101,866 | 111,028 | - | - |
| 5.661% Guaranteed Secured bonds due 2031 | 100,000 | 100,000 | - | - |
| | <u>231,840</u> | <u>241,002</u> | <u>29,974</u> | <u>29,974</u> |

Notes (continued)

11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

| | 2016 £000 | 2015 £000 |
|--|----------------|----------------|
| Creditors falling due more than one year | | |
| 3.237% Index-linked Guaranteed Secured bonds due 2030 | 101,866 | 111,028 |
| 5.661% Fixed Guaranteed Secured bonds due 2031 | 100,000 | 100,000 |
| Subordinated debt | 29,974 | 29,974 |
| | <u>231,840</u> | <u>241,002</u> |
| Creditors falling due within less than one year | | |
| 3.237% Index-linked Guaranteed Secured bonds due 2030 | 11,554 | 11,984 |
| | <u>11,554</u> | <u>11,984</u> |

Included within index-linked guaranteed secured bonds is an amount repayable after five years of £60,102,000 (2015: £68,032,000) and included within fixed guaranteed secured bonds is an amounts repayable after five years of £100,000,000 (2015: £100,000,000) respectively. Subordinated debt amount repayable after five years is £29,974,000 (2015: £29,974,000).

Terms and debt repayment schedule

| | Currency | Nominal interest rate | Year of maturity | Repayment schedule | 2016 | 2015 |
|--------------------|----------|--------------------------|---------------------|-----------------------|-------------|-------------|
| Index linked bonds | GBP | 3.237% | 2030 | Semi-annual | 113,420,000 | 123,012,000 |
| Fixed bonds | GBP | 5.661% | 2031 | maturity | 100,000,000 | 100,000,000 |
| Subordinated debt | GBP | 14.75% | 2031 | maturity | 29,974,000 | 29,974,000 |

3.237% Index-linked Guaranteed Secured bonds and 5.661% Guaranteed Secured bonds are secured by a fixed and floating charge over the assets of the Group.

The Guaranteed Secured bonds are fixed at an interest rate of 5.661% and will be redeemed on their maturity in 2031.

The Index-linked Guaranteed Secured bonds are fixed at an interest rate of 3.237% which along with principal payments, are indexed to Retail Price Index using an agreed ratio. The indexed bonds repayments commence in 2006 and are fully redeemed by 2030.

The subordinated debt issued to the company by its parent bears interest at 14.75% with interest repayments commencing in 2006 until 2031, and all the capital will be repaid in September 2031. The subordinated debt is secured against the assets of the Group and are subordinated to the senior bonds.

Notes (continued)

12 Deferred tax

| | Year ended 31 December 2016 £'000 | Year ended 31 December 2015 £'000 |
|---------------------------------------|--|--|
| At 1 January | 4,038 | 2,500 |
| Charge to the profit and loss account | 526 | 1,538 |
| At 31 December | 4,564 | 4,038 |

13 Fixed asset investments

| Company | Shares in group undertakings £000 |
|------------------------------|--|
| At beginning and end of year | 550 |

The undertakings in which the Company's interest at the year-end is more than 20% are as follows:

| | Registered office | Principal activity | Class and percentage of shares held |
|-------------------------|---------------------------------------|--------------------|-------------------------------------|
| Annes Gate Property PLC | 21 St Thomas Street, Bristol, BS1 6JS | PF1 operator | £1 ordinary shares 99.8% |
| AGP (2) Limited | 21 St Thomas Street, Bristol, BS1 6JS | Dormant | £1 ordinary shares 100% |

Notes (continued)

14 Called up share capital

| | Group and Company 2016 £ | Group and Company 2015 £ |
|--|-----------------------------------|-----------------------------------|
| Allotted, called up and fully paid | | |
| Equity: 550,098 Ordinary 'A' shares of £1 each | 550,098 | 550,098 |
| 1 Ordinary 'B' shares of £1 each | 1 | 1 |
| | <hr/> | <hr/> |

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

15 Financial instruments

An explanation of the Group's objectives, policies and strategies for the role of financial instruments in creating and changing the risks of the Group in its activities can be found in the Strategic Report. The details relating to credit, liquidity and interest rate risks are explained below:

Credit risk

Although the Authority is the only customer of the Group, the directors are satisfied that the Authority will be able to fulfil its obligations under the PFI contract as their obligations are underwritten by the Secretary of State for the Home Department.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the year-end was:

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Assets measured at amortised cost | | |
| Finance debtor | 242,076 | 246,588 |
| Trade and other debtors | 1,974 | 2,995 |
| | <hr/> | <hr/> |
| | 244,050 | 249,583 |
| Assets measured at cost less impairment | | |
| Cash and cash equivalents | 25,511 | 23,559 |
| | <hr/> | <hr/> |
| | 25,511 | 23,559 |
| Liabilities measured at amortised cost | | |
| Trade and other payables | (6,942) | (5,938) |
| Index-linked bonds | (113,420) | (123,012) |
| Fixed bonds | (100,000) | (100,000) |
| Subordinated debt | (29,974) | (29,974) |
| | <hr/> | <hr/> |
| | (250,336) | (258,924) |

Notes (continued)

15 Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's financial obligations, including the repayment of its borrowings which are provided on a long term basis, have been structured to be met from the income which under normal operating conditions, will be earned from its long term concession contract with the Authority as their obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

Interest rate risk

The Group aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings (index-linked bonds). Except for the index-linked guaranteed secured bonds which are subject to bi-annual indexation calculated from an agreed formula based on the change in the Retail Prices Index, all the other interest-bearing assets and liabilities are primarily of fixed rate. The indexation risk is also offset by turnover being subject to similar indexation terms.

Capital risk management

The group manages its capital to ensure it is able to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group comprises equity attributable to equity holders consisting of ordinary share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

Risk analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. The index-linked bonds' indexation variations are offset by indexation on future income from the Authority. The Group's exposure to interest rate fluctuations is therefore restricted to amounts that can be earned on cash deposits. This risk is not considered to have a significant impact on overall returns.

Notes (continued)

16 Related parties

During the year, the group incurred costs charged by these related parties as follows:

| | Transactions | | Balance owed to at year end | |
|---------------------------------------|---------------|---------------|-----------------------------|---------------|
| | 2016 £000 | 2015 £000 | 2016 £000 | 2015 £000 |
| Facility Management Services | | | | |
| ByHome Limited (FM Services) | 12,102 | 11,659 | - | - |
| ByHome Limited (Variations) | 1,483 | 3,736 | 101 | 313 |
| ByHome Limited (Lifecycle) | 2,398 | 4,385 | - | 673 |
| Directors' fees | | | | |
| Infrastructure Investments LP | 123 | 122 | - | 122 |
| Subordinated debt (HICL) | | | | |
| Capital | - | - | 29,974 | 29,974 |
| Interest | 4,433 | 4,421 | 2,229 | - |
| Consortium Relief | | | | |
| Services Support (Manchester) Limited | - | 31 | 194 | 194 |
| Enterprise Education Conwy Limited | - | - | 63 | 63 |
| Metier Healthcare Limited | - | 75 | 78 | 78 |
| Integrated Bradford Spv Two Limited | - | - | 54 | 54 |
| Axiom Education (Edinburgh) Ltd | - | - | 9 | 9 |
| Bywest | - | - | 24 | 24 |
| Derby School Solutions | - | - | 1 | 1 |
| Eastbury Park Ltd | - | - | 1 | 1 |
| Education 4Ayrshire | - | - | 23 | 23 |
| Enterprise Healthcare Limited | - | - | 34 | 34 |
| Pff Dorest | - | - | 27 | 27 |
| Ravensbourne Health Services | - | 6 | 19 | 19 |
| Support Services Manchester Limited | - | - | 12 | 12 |
| ByEducation (Barking) Limited | - | 91 | 91 | 91 |
| Ravensbourne Health Services Limited | - | - | 6 | 6 |
| | 20,539 | 24,526 | 32,940 | 31,718 |

Notes (continued)

17 Ultimate parent company and parent undertaking of larger group of which the Company is a member

Infrastructure Investments Holdings Limited registered in England and Wales, is the shareholder of AGP Holdings (1) Limited. The registered office of Infrastructure Investments Holdings Limited is 12 Charles II Street, London, SW1Y 4QU.

The smallest and largest Group in which the results of the Company are consolidated is that headed by AGP Holdings (1) Limited (the "Group"). The consolidated accounts of this Group are available to the public and may be obtained from its registered office 21 St Thomas Street, Bristol, BS1 6JS.

The ultimate parent company is HICL Infrastructure Company Limited incorporated in Guernsey, registered office 12 Charles II Street, London, SW1Y 4QU.

18 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Group's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profiles which is based on forecasted results of the PFI contract.