NEWSCHOOLS LIMITED

Directors' report and financial statements

Registered number 03819468

31 December 2011

COMPANY INFORMATION

Directors	G N V Green (resigned 31/3/2012) J N Churchward-Cardiff D L McCormack N J E Crowther (appointed 14/4/2012)
Secretary	D L McCormack
Company number	3819468
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditors	KPMG LLP 8 Salisbury Square London EC4Y 8BB United Kingdom
Bankers	National Westminster Bank plc City of London 1 Prince's Street London EC2R 8PA
Solicitors	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD

Contents

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activity
The Company provides project management services to companies with concessions under the UK Government's Private Finance Initiative

Business review
At the commencement of the year under review the company had twelve management contracts under the UK Government's Private Finance Initiative, in the education, social housing and transport sectors

During the year the company discontinued services on one contract in the transport sector

The company anticipates acquiring further PFI management contracts in the coming year

The company's strengths relate to its experience and ability to deliver comprehensive management services to the Social Infrastructure sector

The principal risks and uncertainties facing the company concern the potential loss of existing management contracts which are market tested periodically

To address those risks the company continues to assess and enhance its delivery of the portfolio management objectives and services to meet market needs

In the opinion of the directors there are no key performance indicators whose disclosure is necessary for an understanding of the development, performance or position of the business

Future prospects remain strong and the company believes it is well placed to secure new projects in the coming years

Results and dividends
The profit and loss account is set out on page 6 and summarises the performance for the year

The company made a profit before tax of £100,628 (2010 £207,683) on turnover of £1,922,166 (2010 £1,954,660)
At the balance sheet date the company had net liabilities of £852,959 (2010 £953,015)

The directors do not recommend the payment of a dividend to the ordinary shareholders

Employment policy
Within the bounds of commercial confidentiality staff at all levels are kept informed of matters that affect the progress of HCP Group and are of interest to them as employees

Directors

The directors who served during the year are as stated below

G N V Green (resigned 31/3/2012)
J N Churchward-Cardiff
D L McCormack
N J E Crowther (appointed 14/4/2012)

The above directors are also directors of the holding company, HCP Holdings Limited

Directors' report *(continued)*

The financial statements have been prepared on a going concern basis not withstanding net liabilities of £852,959 (2010 £953,015) The directors believe the basis of preparation to be appropriate as, since the company's acquisition by HCP Holdings Limited in 2009, its results have started to benefit from the shared synergies of the enlarged group The principal focus of the business remains to be the provision of management services to companies with concessions under the UK Governments Private Finance Initiative in the Social Infrastructure sector The directors expect the profitability of the business to continue

The company has the support of its parent undertaking, HCP Holdings Limited HCP Holdings Limited has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, the directors have no reason to believe that it will not do so

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all 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 company's auditors are aware of the information

Auditors

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

The report was approved by the Board on 24 September 2012 and signed on its behalf by

D L McCormack
Secretary

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

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

Company law requires the directors to prepare financial statements for each financial period Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice)

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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditor's report to the members of Newschools Limited

We have audited the financial statements of Newschools Limited for the year ended 31 December 2011, set out on pages 6 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- given a true and fair view of the state of the company's affairs at 31 December 2011 and of its 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Newschools Limited *(continued)*

Matters on which we are required to report by exception

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

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

Mike Woodward

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor.
Chartered Accountants

Date 26 SEPT 2012

Profit and Loss Account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	**1,922,166**	1,954,660
Administrative expenses		**(1,724,361)**	(1,648,118)
Operating profit	3	**197,805**	306,542
Interest receivable and similar income	4	**2,823**	1,141
Interest payable and similar charges	5	**(100,000)**	(100,000)
Profit on ordinary activities before taxation		**100,628**	207,683
Tax on profit on ordinary activities	7	**(572)**	-
Profit for the year		**100,056**	207,683

The profit for the current and previous year relates solely to continuing operations
There are no recognised gains and losses other than the profit for the above two financial periods
The notes on pages 9 to 16 form an integral part of these financial statements

Balance Sheet
at 31 December 2011

	Notes		2011		2010
		£	£	£	£
Fixed assets					
Tangible assets	8		341		9,062
Current assets					
Debtors	9	771,899		1,884,478	
Cash at bank and in hand		867,049		288,141	
		1,638,948		2,172,619	
Creditors: amounts falling due within one year	10	(452,048)		(1,110,774)	
Net current assets			1,186,900		1,061,845
Total assets less current liabilities			1,187,241		1,070,907
Creditors: amounts falling due after more than one year	11		(2,000,000)		(2,000,000)
Provisions for liabilities	12		(40,200)		(23,922)
Net liabilities			(852,959)		(953,015)
Capital and reserves					
Called up share capital	13		950		950
Profit and loss account			(853,909)		(953,965)
Shareholders' deficit			(852,959)		(953,015)

The financial statements were approved by the board of directors on 24 September 2012 and were signed on its behalf by

J N Churchward Cardiff
Director

The notes on pages 9 to 16 form an integral part of these financial statements

Company registered number 3819468

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2011

	2011 £	2010 £
Profit for the year	**100,056**	207,683
Net reduction in shareholders' deficit	**100,056**	207,683
Opening shareholders' deficit	**(953,015)**	(1,160,698)
Closing shareholders' deficit	**(852,959)**	(953,015)

The notes on pages 9 to 16 form an integral part of these financial statements

Notes
(forming part of the financial statements)

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of HCP Holdings Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

The financial statements have been prepared on a going concern basis not withstanding net liabilities of £852,959 (2010 £953,015) The directors believe the basis of preparation to be appropriate as, since the company's acquisition by HCP Holdings Limited in 2009, its results have started to benefit from the shared synergies of the enlarged group The principal focus of the business remains to be the provision of management services to companies with concessions under the UK Governments Private Finance Initiative in the Social Infrastructure sector The directors expect the profitability of the business to continue

The company has the support of its parent undertaking, HCP Holdings Limited HCP Holdings Limited has indicated that for at least twelve months from the date of the approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

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Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the costs less residual value of each asset over its expected useful life, as follows

Fixtures, fittings and equipment	-	33% straight line

Leasing

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post retirement benefit

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension costs charged to the profit and loss account represent the contribution payable by the company during the year

Notes *(continued)*

1. Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Turnover

Turnover represents amounts receivable in respect of project management services provided, net of VAT

2. Analysis of turnover

Turnover is derived from the principal activity of the company and is generated entirely within the United Kingdom

Turnover is generated from the provision of project management services to companies with concessions under the UK Government's Private Finance Initiative (PFI)

3. Operating profit

	2011	2010
	£	£
Operating profit is stated after charging		
Depreciation	**6,423**	8,846
Reorganisation costs	**-**	74,000
Operating lease rentals		
- Land and buildings	**32,500**	48,484

Amounts payable to the company's auditor have been borne by a fellow subsidiary undertaking

4. Interest receivable and similar income

	2011	2010
	£	£
Bank interest	**2,823**	1,141

5. Interest payable and similar charges

	2011	2010
	£	£
Finance costs on shares classified as financial liabilities	**100,000**	100,000

Notes *(continued)*

6. Staff numbers and costs

Number of employees	**2011**	2010
The average number of employees (including the directors) during the period were	**Number**	Number
Directors	**3**	3

All the employees of the company were transferred to HCP Social Infrastructure (UK) Limited, a fellow group company on 1 January 2010

The directors received no emoluments from this company, they are remunerated by a fellow subsidiary HCP Social Infrastructure (UK) Limited

Notes *(continued)*

7. Tax on profit on ordinary activities

Analysis of charge in period	**2011**	2010
	£	£
Current tax		
UK corporation tax at 26 5% (2010 28%)	**572**	-
Total current tax charge	**572**	-

Factors affecting tax charge for the period:

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 26 5% (2010 28%) The differences are explained below

	2011	2010
	£	£
Profit on ordinary activities before taxation	**100,628**	207,683
Current tax at 26 5% (2010 28%)	**26,666**	58,151
Effects of:		
Expenses not deductable for tax purposes	**26,296**	28,193
Capital allowances in arrears of depreciation	**2,310**	2,612
Other timing differences	**6,834**	(17,061)
Tax losses utilised	**(61,534)**	(71,576)
Utilisation of group losses	**-**	(319)
Current tax charge	**572**	-

At year end the company has tax losses to carry forward of £465,313 (2010 £697,642) No deferred tax asset has been recognised due to the uncertainty over future profit

On 23 March 2011 the Chancellor announced that the UK corporation tax rate will reduce from 28% to 22% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011 A reduction to 25% with effect from 1 April 2012 was substantively enacted on 5 July 2011 These changes will reduce the company's future current tax charge accordingly

A reduction in the main rate of corporation tax to 24% with effect from 1 April 2012 was substantively enacted on 26 March 2012 and a further reduction to 23% from 1 April 2013 was substantively enacted on 3 July 2012 These changes have not resulted in a material difference to the balances recognised at the year end A further reduction to 22% by 2014 has not been substantively enacted and has therefore not been included in these financial statements

Notes *(continued)*

8. Tangible fixed assets

	Furniture, Fittings and Equipment
	£
Cost	
At 1 January 2011	40,478
Disposals	(26,388)
As 31 December 2011	**14,090**
Depreciation	
At 1 January 2011	31,416
Charge for the period	6,423
Eliminated on disposal	(24,090)
At 31 December 2011	**13,749**
Net book values	
At 31 December 2011	**341**
At 31 December 2010	9,062

9. Debtors

	2011	2010
	£	£
Trade debtors	**171**	1,006
Amounts owed by group undertakings	**660,000**	1,760,000
Amounts owed by companies under common control (note 15)	**90,123**	96,773
Other debtors	**9,813**	14,453
Prepayments and accrued income	**11,792**	12,246
	771,899	1,884,478

10. Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	**4,130**	12,954
Amounts owing to group undertakings	**14,013**	692,376
Other taxes and social security	**572**	72,111
Accruals and deferred income	**433,333**	333,333
	452,048	1,110,774

Notes *(continued)*

11. Creditors: amounts falling after more than one year

	2011	2010
	£	£
Shares classified as financial liabilities	**2,000,000**	2,000,000
Shares classified as financial liabilities		
Repayable in five years or more	**2,000,000**	2,000,000

At the balance sheet date the company had in issue 2,000,000 redeemable preference shares of £1 each In accordance with FRS 25 the preference shares are considered to be a financial instrument and recognised within long term creditors

In accordance with the Articles of Association the preference shares have the right to a cumulative 5% dividend accruing from 1 September 2007 and are payable when the Company has sufficient distributable profits to do so The company is not expected to have distributable reserves in the next 12 months

The Company has the right to redeem the preference shares at any time subject to, and in accordance with, the terms and conditions set out in the Articles of Association

12. Provisions for liabilities

	Dilapidations	Onerous lease	**Total**
	£	£	£
At beginning of year	-	23,922	23,922
Charged to the profit and loss account	-	(8,722)	(8,722)
Provided in the year	25,000	-	25,000
At end of year	25,000	15,200	**40,200**

The company entered into an operating lease for office space prior to its acquisition by HCP Holdings Limited in 2009 Following its acquisition by HCP Holdings Limited the company no longer requires the use of the premises and has therefore provided for its net rental exposure in respect of the property until the end of the lease in June 2012

A provision has also been made for dilapidations costs expected on the leasehold premises in Sevenoaks The lease expires on 23 June 2012

Notes *(continued)*

13. Share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
750 Ordinary A shares of £1 each	**750**	750
200 Ordinary B shares of £1 each	**200**	200
2,000,000 redeemable Preference shares of £1 each	**2,000,000**	2,000,000
	2,000,950	2,000,950
Equity shares		
750 Ordinary A shares of £1 each	**750**	750
200 Ordinary B shares of £1 each	**200**	200
	950	950
Shares classified as financial liabilities		
2,000,000 redeemable preference shares of £1 each	**2,000,000**	2,000,000

Ordinary A and ordinary B shares rank equally for voting, dividend and repayment

Redeemable preference shares have the right to a cumulative 5% dividend accruing from 1 September 2007

The Company has the right to redeem the preference shares at any time subject to, and in accordance with, the terms and conditions set out in the Articles of Association

14. Commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

Land and Buildings	**2011**	2010
	£	£
Expiry date:		
Within one year	**19,200**	46,280

An onerous lease provision of £15,200 has been recognised in relation to the operating lease commitment (See note 12)

Notes *(continued)*

15. Related party transactions

Innisfree M & G PPP LP

The immediate parent company, HCP Holdings Limited, is owned by Innisfree M&G PPP LP through its nominee Innisfree Nominees Limited, jointly managed by Innisfree Limited and M&G Investment Management Limited

The Innisfree group of entities have interests in a majority of the projects to which the Company provide management services

In aggregate the company made sales totalling £1,819,505 (2010 £1,743,192) to these projects and at the balance sheet date the amount owing from these undertakings was £90,123 (2010 £98,321)

16 Parent undertaking and controlling interest

The immediate parent company is HCP Holdings Limited a company incorporated in England & Wales

The largest group in which the results of the company are consolidated is that headed by the immediate parent company The consolidated accounts of this group are available to the public and may be obtained from HCP Holdings Limited, 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG

In the directors opinion the company's ultimate parent undertaking and controlling party is Innisfree M & G PPP LP, a limited partnership registered in England & Wales