

**NewSchools (Leyton) Limited**

**Directors' report and financial statements**

31 March 2013

Registered Number 03885037



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## **Company information**

### **Directors**

J Graham  
B Dean

### **Company Secretary**

G Champkin

### **Registered Office**

8 White Oak Square  
London Road  
Swanley  
Kent,  
BR8 7AG

### **Auditor**

KPMG LLP  
100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

### **Registered Number**

03885037

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2013

### Business review and principal activity

The principal activity of the Company is to design, build, finance and operate a new secondary school in Leyton in accordance with a 25 year contract with the Mayor & Burgesses of the London Borough of Waltham Forest. Contract negotiations were successfully completed in February 2000 and construction commenced immediately. The school was completed in August 2001 and became operational with effect from 1 September 2001.

The company made a pre-tax profit of £504,000 (2012 £456,000) for the year on a turnover of £1,917,000 (2012 £1,821,000). An interim dividend of £90,000 was declared and paid during the year (2012 £100,000).

The directors do not foresee any change in the activities of the company.

### Key performance indicators (KPIs)

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 providers but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £500 (2012 £1,000) were levied by the Authority and passed onto the service providers. This low level of deduction was considered satisfactory.

### Principal risks and uncertainties

The principal risks and uncertainties facing the company at this stage of the project relate to the non-delivery of service, which could impact the level of the unitary charge in conjunction with the company's ability to maintain the required levels of cashflow to meet all of its finance obligations.

### Directors

The following directors served throughout the year under review and to date:

B Dean  
J Graham

### Contributions for charitable and political purposes

The company made no political or charitable donations during the year (2012 £nil).

### Disclosure of information to auditor

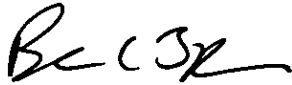
Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

**Directors' report** *(continued)*

**Auditor**

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

On behalf of the board



**B Dean**  
*Director*

8 White Oak Square  
London Road  
Swanley  
Kent,  
BR8 7AG

30 August 2013

## **Statement of directors' responsibilities in respect of the Directors' report and the 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 year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 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.

## **Independent auditor's report to the members of NewSchools (Leyton) Limited**

We have audited the financial statements of NewSchools (Leyton) Limited for the year ended 31 March 2013 set out on pages 7 to 17. 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 on page 4, 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](http://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 March 2013 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 year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of NewSchools (Leyton) 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



**Amanda Moses** (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
100 Temple Street  
Bristol  
BS1 6AG



September 2013



## **Profit and loss account**

*for the year ended 31 March 2013*

	<i>Note</i>	<b>2013</b> <b>£000</b>	2012 £000
<b>Turnover</b>	2	<b>1,917</b>	1,821
Cost of sales		<b>(1,113)</b>	(1,087)
<b>Gross profit</b>		<b>804</b>	734
Administrative expenses		<b>(276)</b>	(259)
<b>Operating profit</b>	3-5	<b>528</b>	475
Interest payable and similar charges	6	<b>(810)</b>	(862)
Interest receivable and similar income	7	<b>786</b>	843
<b>Profit on ordinary activities before taxation</b>		<b>504</b>	456
Tax on profit on ordinary activities	8	<b>(118)</b>	(118)
<b>Profit for the financial year</b>	15	<b>386</b>	338

There were no gains and losses other than those included in the profit and loss account in either the current or prior year

All activities relate to continuing operations

The notes on pages 10 to 17 form part of these financial statements

## **Reconciliation of movement in shareholders' funds**

*for the year ended 31 March 2013*

	<b>2013</b> <b>£000</b>	2012 £000
Profit for the financial year	<b>386</b>	338
Dividends on shares classified as shareholders' funds	<b>(90)</b>	(100)
	<hr/>	<hr/>
Net increase in shareholders' funds	<b>296</b>	238
Opening shareholders' funds at 1 April	<b>965</b>	727
	<hr/>	<hr/>
Closing shareholders' funds as at 31 March	<b><u>1,261</u></b>	<b><u>965</u></b>

The notes on pages 10 to 17 form part of these financial statements

## Balance sheet

at 31 March 2013

	<i>Note</i>	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	<i>9(a)</i>	<b>753</b>	<b>778</b>
Amounts falling due after more than one year	<i>9(b)</i>	<b>9,974</b>	<b>10,455</b>
Cash at bank and in hand		<b>2,216</b>	<b>2,041</b>
		<hr/>	<hr/>
		<b>12,943</b>	<b>13,274</b>
<b>Creditors' amounts falling due within one year</b>	<i>10(a)</i>	<b>(1,287)</b>	<b>(1,354)</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>11,656</b>	<b>11,920</b>
<b>Creditors: amounts falling due after more than one year</b>	<i>10(b)</i>	<b>(9,303)</b>	<b>(9,957)</b>
<b>Provision for liabilities</b>	<i>11</i>	<b>(1,092)</b>	<b>(998)</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>1,261</b>	<b>965</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>14</i>	<b>1</b>	<b>1</b>
Profit and loss account	<i>15</i>	<b>1,260</b>	<b>964</b>
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		<b>1,261</b>	<b>965</b>
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on the 30 August 2013 and were signed on its behalf by



**B Dean**  
*Director*

The notes on pages 10 to 17 form part of these financial statements

Company Registration No 03885037 (England and Wales)

## 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 Company's financial statements

#### a) Basis of preparation

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

The shareholders' funds for the year ended 31 March 2013 show a surplus of £1,261,000 (2012 surplus of £965,000). The directors have reviewed the cash flow forecast for the remainder of the company's concession contract and taking into account of reasonably possible risks to operations believe that the Company will be able to settle its liabilities as they fall due for payment for the foreseeable future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

As the company is a subsidiary of NewSchools (Leyton) 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 entities which form part of the group

#### b) Finance debtor and service contract

The Company is an operator of a Private Finance Initiative ("PFI") contract. The underlying asset is not deemed to be an asset of the Company under FRS 5 Application Note F

During the construction phase of the project, all attributable expenditure is included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs are 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 FRS 5 Application Note G. 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

A provision is made for major maintenance costs which the company is obliged by the contract to undertake based on a contract specific maintenance programme

#### c) Finance costs

In accordance with FRS 4 issue costs have been offset against the related loans and are being amortised over the duration of the facilities

#### d) Taxation

Deferred taxation 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 FRS 19

## Notes (continued)

### 1 Accounting policies (continued)

#### e) Turnover

Turnover is recognised in accordance with the finance debtor and service contract accounting policies above. Turnover represents value of work done entirely in the UK and excludes value added tax. All turnover relates solely to continuing activities in a single class of business within the United Kingdom.

### 2 Analysis of turnover

	2013 £000	2012 £000
Turnover in the year is analysed as follows		
Service revenue	1,911	1,811
Other revenue	6	10
	<hr/>	<hr/>
Total	1,917	1,821
	<hr/>	<hr/>

### 3 Operating Profit

	2013 £000	2012 £000
Operating profit is stated after charging		
Auditors remuneration		
Audit fees	11	9
Tax fees	7	6
	<hr/>	<hr/>

### 4 Emoluments of directors

The directors did not receive any remuneration for their services to the Company during either the current or previous year.

	2013 £000	2012 £000
Amounts paid to related parties in respect of the services of directors	47	44
	<hr/>	<hr/>

### 5 Staff numbers and costs

The company had no employees (excluding directors) during the year (2012 nil).

**Notes (continued)**

**6 Interest payable and similar charges**

	2013 £000	2012 £000
Amounts payable on bank loan	648	694
Amounts payable on subordinated loan	157	162
Amortisation of finance costs	5	6
	<u>810</u>	<u>862</u>

Interest payable on bank loan includes bank loan interest, interest rate swap interest, arrangement fees and commitment fees. Interest on subordinated loan interest includes interest on loan and arrangement fees.

**7 Interest receivable and similar income**

	2013 £000	2012 £000
Interest receivable on bank balances	15	14
Interest receivable on finance debtor	771	829
	<u>786</u>	<u>843</u>

**8 Taxation**

	2013 £000	2012 £000
<i>UK corporation tax</i>		
Current tax on profit for the year	118	118

*Factors affecting the tax charge for the year*

	2013 £000	2012 £000
Profit on ordinary activities before tax	504	456
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 24% (2012 26%)	120	118
<b>Effects of:</b>		
Overprovision of tax in the prior year	(2)	-
<b>Current tax charge</b>	<u>118</u>	<u>118</u>

*Factors that may affect future tax charges*

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

## Notes (continued)

### 9 Debtors

	2013 £000	2012 £000
<b>(a) Amounts falling due within one year.</b>		
Trade debtors	2	44
Finance debtor	477	441
Prepayments and accrued income	260	279
Other debtors	14	14
	<u>753</u>	<u>778</u>
<b>(b) Amounts falling due after more than one year:</b>		
Finance debtor	9,974	10,455
	<u>10,727</u>	<u>11,233</u>

### 10 Creditors

	2013 £000	2012 £000
<b>(a) Amounts falling due within one year:</b>		
Bank loan (Note 12(a))	614	599
Trade creditors	73	188
Subordinated loan due to parent company (Note 12(b))	45	40
Corporation tax	61	64
Other taxation	99	89
Accruals and deferred income	395	374
	<u>1,287</u>	<u>1,354</u>
<b>(b) Amounts falling due after more than one year:</b>		
Bank loan (Note 12(a))	8,128	8,739
Subordinated loan due to parent company (Note 12(b))	1,175	1,218
	<u>9,303</u>	<u>9,957</u>

In accordance with FRS 4, issue costs have been offset against the related loans and are being amortised over the duration of the facilities. Issue costs offset as at 31 March 2013 are £70,000 (2012 £75,000)

## Notes (continued)

### 11 Provision for liabilities

	Life cycle £000
At 1 April 2012	998
Utilised during the year	(48)
Charge for the year	142
	<hr/>
At 31 March 2013	1,092
	<hr/>

As part of its contractual obligations the Company has a programme of "life cycle" expenditure for the maintenance of the school. Accordingly a life cycle expenditure provision has been created to reflect the difference between the contractually required maintenance programme and actual costs incurred from sub-contractors. The provision will be utilised over the life of the project.

### 12 Loans

#### (a) Bank loan

The bank loan represents an amount borrowed under a Senior Debt Facility. The amounts drawn under the Senior Debt Facility are repayable in forty-five instalments based on an agreed repayment schedule commencing May 2002, expiring May 2024. Bank loans are repayable as follows:

	2013 £000	2012 £000
Due within one year	614	599
Due after more than one year	8,180	8,794
	<hr/>	<hr/>
	8,794	9,393
Less issue costs	(52)	(55)
	<hr/>	<hr/>
	8,742	9,338
	<hr/>	<hr/>
The bank loan is repayable as follows:		
Within one year	614	599
Between one and two years	580	614
Between two and five years	1,826	1,726
After five years	5,774	6,454
	<hr/>	<hr/>
	8,794	9,393
	<hr/>	<hr/>

The senior facility is secured by fixed and floating charges on the assets of the company.

Interest charges on amounts drawn are based on floating LIBOR. The company has entered into an interest rate swap agreement where the variable rate interest payments are swapped for a fixed rate of 6.415% per annum in respect of notional amounts drawn of £8,464,000 (2012: £9,039,000). This has been done in order to hedge against cash-flow interest rate risk arising from the variable rate debt. The swap expires on 31 May 2024.



## Notes (continued)

### 12 Loans (continued)

#### (b) Subordinated loan due to parent company

The subordinated loan is unsecured and represents amounts borrowed from the parent company, NewSchools (Leyton) Holdings Limited, under the Equity Subscription Agreement facility. The amounts drawn are scheduled as repayable in semi annual instalments commencing 2002 with the final payment due on 31 May 2025. There was no early redemption made in accordance with the provisions of the Loan Notes Instruments in the year (2012 £Nil). Interest charges on amounts drawn are at 12.5% per annum.

	2013 £000	2012 £000
Due within one year	45	40
Due after more than one year	1,193	1,238
	<u>1,238</u>	<u>1,278</u>
Less issue costs	(18)	(20)
	<u>1,220</u>	<u>1,258</u>
The loans are repayable as follows		
Within one year	45	40
Between one and two years	51	45
Between two and five years	195	173
After five years	947	1,020
	<u>1,238</u>	<u>1,278</u>

The subordinated loan is not secured over the assets of the Company.

### 13 Dividends

An interim dividend of £90,000 was declared and paid in the year (2012 £100,000).

### 14 Share capital

	2013 £000	2012 £000
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

## Notes (continued)

### 15 Reserves

	<b>Profit and loss account £000</b>
Opening reserves at 1 April 2012	964
Profit for the financial year	386
Dividends on shares classified in shareholders' funds	(90)
<b>Closing reserves at 31 March 2013</b>	<b>1,260</b>

### 16 Related party transactions

The directors consider the material transactions undertaken by the Company during the year with related parties were as follows

	<b>Provision of services £000</b>	<b>Amount due to related party at 31 March 2013 £000</b>
Innisfree PFI Continuation Fund LP	23	-
Innisfree M&G PPP Fund LP	23	-
HCP Management Services Limited (formerly NewSchools Limited)	137	15

Transactions with related parties in the prior year were as below

	<b>Provision of services £000</b>	<b>Amount due to related party at 31 March 2012 £000</b>
Innisfree PFI Continuation Fund LP	21	-
Innisfree M&G PPP Fund LP	21	-
HCP Management Services Limited (formerly NewSchools Limited)	139	-

Innisfree M&G PPP Fund LP and Innisfree PFI Continuation Fund LP, Limited Partnerships, are the beneficial owners of the immediate holding company, NewSchools (Leyton) Holdings Limited

HCP Holdings Limited, the parent company of HCP Management Services Limited (formerly NewSchools Limited) is a management services company whose beneficial owners include Innisfree PFI Continuation Fund LP and Innisfree M&G PPP Fund LP

**Notes** *(continued)*

**17 Ultimate parent company**

The Company is a wholly owned subsidiary of NewSchools (Leyton) Holdings Limited a company incorporated in the United Kingdom and registered in England and Wales