

EDUCATION SUPPORT (NEWHAM) LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

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Registered Number: 4420816

EDUCATION SUPPORT (NEWHAM) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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DIRECTORS AND ADVISORS

Directors

A J Ballsdon (resigned 12 December 2008)
J M Linney (resigned 19 February 2008)
T N Grier (resigned 19 June 2008)
S A Yazdabadi
M J Mercer-Deadman
M Baybutt (appointed 12 December 2008)

Company secretary and registered office

R K Miller
Allington House
150 Victoria Street
London SW1E 5LB

Auditors

Deloitte LLP
Chartered Accountants
London

Principal bankers

Dresdner Bank AG
London Branch
PO Box 52715
30 Gresham Street
London
EC2P 2XY

Solicitors

CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC14 4DD

EDUCATION SUPPORT (NEWHAM) LIMITED

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2008. The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985.

The Company is a wholly owned subsidiary of Education Support (Newham) Holdings Limited, which in turn is owned by John Laing Social Infrastructure Limited (80%) and Wates PFI Investments Projects Limited (20%).

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is the design, build, financing and operation of a secondary school for the London Borough of Newham under a Private Finance Initiative agreement.

Financial close was achieved on 24 September 2003. The concession period is 26 years. The completion certificate for the initial construction works was received on 24 August 2005.

Via Education Support (Newham) Holdings Limited, John Laing Social Infrastructure Limited and Wates Construction Limited invested £1,000 share capital in September 2003 and £1,937,000 subordinated debt on 14 February 2005.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

The Company completed the construction phase of the project in 2005 and the school became fully operational in September 2005. The Company will continue to operate the school until the end of the concession on 31 August 2029.

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationships with its immediate parent company. More information is provided in note 1 to the financial statements.

FUTURE DEVELOPMENTS

The Company will continue to finance and operate the school until the end of August 2029.

RESULTS AND DIVIDENDS

The loss for the year before taxation amounted to £8,000 (2007 - £30,000). After tax credit of £nil (2007 - £5,000), the loss for the year was £8,000 (2007 - £25,000).

The Directors do not recommend the payment of a dividend (2007 - £nil).

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1.

EDUCATION SUPPORT (NEWHAM) LIMITED

DIRECTORS' REPORT (continued)

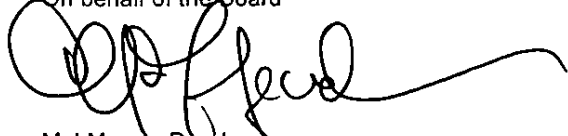
EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 10.

AUDITORS

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an AGM.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'M J Mercer-Deadman', with a long, sweeping horizontal line extending to the right.

M J Mercer-Deadman
Director
10 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 year. 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; 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 disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDUCATION SUPPORT (NEWHAM) LIMITED

We have audited the financial statements of Education Support (Newham) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deb:He LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
10 March 2009

EDUCATION SUPPORT (NEWHAM) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	1,192	1,552
Cost of sales		(1,206)	(1,553)
Operating loss	3	<u>(14)</u>	<u>(1)</u>
Net interest receivable / (payable)	6	6	(29)
Loss on ordinary activities before taxation		<u>(8)</u>	<u>(30)</u>
Tax credit on loss on ordinary activities	7	-	5
Retained loss for the year transferred from reserves		<u>(8)</u>	<u>(25)</u>

A reconciliation of movements in shareholder's deficit is given in note 14.

All items in the profit and loss account relate to continuing operations.

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents.

All gains and losses are recognised in the profit and loss account in both the current year and preceding period, and therefore no separate statement of total recognised gains and losses has been presented.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
Notes	£'000	£'000
Net cash inflow from operating activities	2,815	2,028
16		
Returns on investments and servicing of finance	74	70
Interest received		
Interest and other financing costs paid	(1,661)	(1,573)
Net cash outflow from returns on investments and servicing of finance	(1,587)	(1,503)
Net cash inflow before use of liquid resources and financing	1,228	525
Financing		
Loan repayments	(1,007)	(975)
Net cash outflow from financing	(1,007)	(975)
17		
Increase/(Decrease) in cash in the year	221	(450)
Reconciliation to net debt		
Net debt at 1 January	(23,281)	(23,788)
Decrease in cash in the year	221	(450)
Movement in borrowings	1,007	975
Other non-cash changes	(17)	(18)
17		
Net debt at 31 December	(22,070)	(23,281)

EDUCATION SUPPORT (NEWHAM) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Current assets			
Debtors:		25,941	26,901
- due within one year	8	1,371	1,706
- due after more than one year	8	24,570	25,195
Cash at bank and in hand		1,197	976
		<u>27,138</u>	<u>27,877</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(5,104)	(4,689)
Net current assets		<u>22,034</u>	<u>23,188</u>
Total assets less current liabilities		22,034	23,188
Creditors: amounts falling due after more than one year	9	(22,168)	(23,314)
Net liabilities		<u>(134)</u>	<u>(126)</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	(135)	(127)
Shareholder's deficit	14	<u>(134)</u>	<u>(126)</u>

The financial statements were approved by the Board of Directors on 10 March 2009 and were signed on its behalf by:



M J Mercer-Deadman
Director
10 March 2009

EDUCATION SUPPORT (NEWHAM) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
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Decrease in cash in the year		221	(450)
Movement in borrowings		1,007	975
Other non-cash changes		(17)	(18)
Net debt at 31 December	17	(22,070)	(23,281)

Notes to the financial statements for the year ended 31 December 2008

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted by the Directors, which have been applied consistently, are shown below.

The current economic conditions create some uncertainty, including with respect to:

- (a) the ability of key sub-contractors to continue to meet contractual commitments;
- (b) the ability of the debt provider to continue to meet its contractual commitments; and
- (c) the ability of the SWAP provider to continue to meet their commitments.

The Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Company and do not consider this to be a material risk.

The Company's forecasts and projections, taking account of reasonably possible changes in counterparty performance, show that the Company expects to be able to continue to operate.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

b) Turnover

Turnover is net of VAT and is entirely derived in the United Kingdom.

c) Finance debtor

The Company is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with the London Borough of Newham. The underlying asset is therefore not a fixed asset of the Company under FRS5 Application Note F and SSAP 21.

d) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs are included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor. All turnover is derived entirely in the United Kingdom and is net of VAT.

In 2008 amounts invoiced in line with the Project Agreement were £3,483,000 (2007 - £3,488,000). Variations invoiced amounted to £16,000 (2007 - £18,000).

e) Construction period interest

Interest costs on borrowings used to fund the construction of the school are added to amounts recoverable on contracts during the construction period. This treatment ceases on commissioning.

f) Operating costs

Operating costs are added to amounts recoverable on contracts during the construction period. Following commissioning, regular operating and maintenance costs and Education Support (Newham) Limited central costs will be expensed to the profit and loss account as incurred.

g) Interest payable

Interest costs on borrowings are added to amounts recoverable on contracts during the construction phase of the contract, and then written off to the profit and loss account over the period of concession as incurred.

h) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 TURNOVER

	2008 £'000	2007 £'000
Turnover in the year is analysed as follows:		
Concession unitary income	<u>1,192</u>	<u>1,552</u>
	<u>1,192</u>	<u>1,552</u>

3 OPERATING LOSS

	2008 £'000	2007 £'000
Operating loss is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	<u>12</u>	<u>10</u>
Operating loss is stated after charging:		
	2008 £'000	2007 £'000
Operating and Maintenance costs	985	1,377
Other Operating costs	221	168

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by secondees from the shareholders under a management services contract.

5 STAFF NUMBERS

The Company had no employees during the year (2007 - nil).

6 NET INTEREST RECEIVABLE/(PAYABLE)

	2008 £'000	2007 £'000
Interest receivable and similar income		
Interest receivable on bank deposits	68	69
Interest receivable on finance debtor	1,514	1,547
Other interest receivable	<u>3</u>	<u>7</u>
	1,585	1,623
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(1,376)	(1,441)
Amortised debt issue costs	(17)	(18)
Commitment fee on undrawn loan facility	(1)	(1)
Interest payable to parent undertaking	<u>(185)</u>	<u>(192)</u>
	(1,579)	(1,652)
Net interest receivable / (payable)	<u>6</u>	<u>(29)</u>

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2008 £	2007 £
<u>Analysis of credit for the year</u>		
Current tax		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax	2	8
Prior year adjustment - decrease in tax rate	(2)	(3)
Total deferred tax	-	5
Total tax credit on profit on ordinary activities	-	5

Factors affecting the tax credit for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(8)	(30)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	2	9
Effects of:		
Timing differences, origination and reversal	-	(9)
Total current tax charge for the year	2	-
Deferred Tax		
Timing differences, origination and reversal	2	9
Decrease in tax rate	-	(1)
Prior year adjustment- decrease in tax rate	(2)	(3)
Total deferred tax	-	5
Total tax credit for the year	-	5

For the year ended 31 December 2008, the blended UK rate of 28.5% is applied due to the change in the UK corporation tax rate from 30% to 28% with effect from 1 April 2008.

8 DEBTORS

	2008 £'000	2007 £'000
<u>Due within one year:</u>		
Trade debtors	334	714
Finance debtor	650	613
Other debtors	-	32
Deferred tax asset	40	40
Prepayments and accrued income	347	307
	1,371	1,706
<u>Due after more than one year:</u>		
Finance debtor	24,570	25,195
	24,570	25,195

The finance debtor includes cumulative net interest costs of £1,285,000 (2007 - £1,316,000).

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 CREDITORS

	2008 £'000	2007 £'000
Amounts falling due within one year		
Bank loans and overdrafts (note 10)	981	943
Less: unamortised debt issue costs	(16)	(17)
Amounts owed to shareholders	134	17
Amounts owed to fellow subsidiary undertakings and related parties	144	298
Accruals and deferred income	583	688
VAT	94	38
Trade creditors	9	-
Other creditors	3,175	2,722
	<u>5,104</u>	<u>4,689</u>
Amounts falling due after more than one year		
Bank loans and overdrafts (note 10)	20,975	21,956
Less: unamortised debt issue costs	(152)	(168)
Amounts owed to shareholders	1,345	1,526
	<u>22,168</u>	<u>23,314</u>
Analysis of debt:		
Debt can be analysed as falling due:		
In one year or less, on demand	1,115	960
Between one and two years	1,139	1,088
Between two and five years	3,563	3,239
In five years or more	17,618	19,155
	<u>23,435</u>	<u>24,442</u>
Less: unamortised debt issue costs	(168)	(185)
	<u>23,267</u>	<u>24,257</u>

10 LOANS

The Company has the facilities shown below provided by Dresdner Bank in order to finance the construction of the school. The loans are repayable in instalments based on an agreed percentage amount of the total facilities per annum over a certain number of years as shown below.

Interest on the facilities is charged at a certain margin, as shown below, over and above the Interbank Rate plus a Mandatory Costs Rate. The Company has entered into fixed interest rate swaps to mitigate its interest exposure which have a negative fair value at 31 December 2008 of £3,098,668 (2007 - £103,131). The resulting fixed interest rate on the facility during the operational phase is 5.12%.

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

Facility type	Total amount of facility £'000	Drawn at 31 December 2008 £'000	Repayment period (years)	Margin during construction	Margin during operation
Term Loan	23,886	20,524	21.2	1.05%	0.90% to 1.00%
Junior Loan	1,631	1,432	21.2	3.50%	3.25%
Change of Law	222	-	21.2	1.05%	0.90% to 1.00%
	<u>25,739</u>	<u>21,956</u>			

11 CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

At 31 December 2008, the Company is committed to an amount of £7,360,000 (2007 - £8,064,000) payable to John Laing Integrated Services Limited, a fellow group undertaking, under the Facilities Provision Contract dated 24 September 2003 relating to the Schools PFI Project in the London Borough of Newham between Education Support (Newham) Limited and John Laing Integrated Services Ltd.

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

12 CALLED UP SHARE CAPITAL

	2008 No.	2007 No.
Authorised:		
Ordinary shares at £1 each	<u>50,000</u>	<u>50,000</u>
	£'000	£'000
Allotted, called up and partly paid:		
50,000 ordinary shares of £1 each paid to 2p	<u>1</u>	<u>1</u>

13 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2008	(127)
Retained loss for the year	(8)
At 31 December 2008	<u>(135)</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT

	2008 £'000	2007 £'000
Opening shareholder's deficit	(126)	(101)
Loss for the financial year	(8)	(25)
Closing shareholder's deficit	<u>(134)</u>	<u>(126)</u>

15 TRANSACTIONS WITH RELATED PARTIES

	2008 £'000	2007 £'000
The Company had the following related party transactions during the year:		
Fellow group undertakings:		
John Laing Integrated Services Limited		
- Operating costs	(704)	(686)
- Other costs recharged	(256)	(72)
- Balance payable at 31 December	(130)	(284)
- Third party income	-	50
- Recharge of legal costs	-	69
Laing Investments Management Services Limited		
- Company Concession overheads	(103)	(109)
- Third party costs recharged	(2)	(130)
- Balance payable at 31 December	(13)	(14)

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

16 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008	2007
	£'000	£'000
Operating loss	(14)	(1)
Decrease in debtors	2,470	323
Increase in creditors	359	1,706
Net cash inflow from operating activities	<u>2,815</u>	<u>2,028</u>

17 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January 2008 £'000	Cash flow £'000	Other non- cash changes £'000	At 31 December 2008 £'000
Cash in hand and at bank	976	221	-	1,197
Debt due within one year	(943)	960	(1,116)	(1,099)
Debt due after one year	(23,314)	47	1,099	(22,168)
	<u>(23,281)</u>	<u>1,228</u>	<u>(17)</u>	<u>(22,070)</u>

18 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Education Support (Newham) Holdings Ltd.

The smallest group in which its results are consolidated is John Laing plc, a company incorporated in Great Britain and registered in England and Wales. The largest group in which its results are consolidated is Henderson Infrastructure Holdco (UK) Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated accounts are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The Company's ultimate parent and controlling entity is Henderson Infrastructure Holdco (Jersey) Limited, a company incorporated in Jersey, Channel Islands.