

EDUCATION SUPPORT (NEWHAM) LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2011**

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COMPANIES HOUSE

Registered Number 4420816

EDUCATION SUPPORT (NEWHAM) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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EDUCATION SUPPORT (NEWHAM) LIMITED

DIRECTORS AND ADVISORS

Directors

M Baybutt

S J Beechey (resigned 9 December 2011)

A M Bell

Company secretary and registered office

R K Miller

Allington House

150 Victoria Street

London

SW1E 5LB

Auditor

Deloitte LLP

Chartered Accountants

London

Principal bankers

Commerzbank 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 2011

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

The Company is a wholly owned subsidiary of Education Support (Newham) Holdings Limited, which in turn is a wholly owned subsidiary of Palio No 18 Limited

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.

The construction of the schools was completed in July 2005, and the schools are now all operational. The Company will operate the schools until the end of concession on 31 August 2029.

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 schools until the end of August 2029.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

EDUCATION SUPPORT (NEWHAM) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served throughout the year are shown on page 1

EMPLOYEES

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

AUDITOR

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 auditor in the absence of an AGM

On behalf of the Board



M Baybutt
Director
16 March 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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). 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 year. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, 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 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 AUDITOR'S 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 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies in the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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.

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, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
16 March 2012

EDUCATION SUPPORT (NEWHAM) LIMITED

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 £'000	2010 £'000
Turnover	2	1,543	1,505
Cost of sales		<u>(1,454)</u>	<u>(1,412)</u>
Operating profit	3	89	93
Net interest receivable	6	30	25
Profit on ordinary activities before taxation		119	118
Tax on profit on ordinary activities	7	(32)	(33)
Profit for the financial year	12	87	85

A reconciliation of movements in shareholder's funds is given in note 13

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 and preceding year, and therefore no separate statement of total recognised gains and losses has been presented

EDUCATION SUPPORT (NEWHAM) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Current assets			
Debtors		24,753	25,036
- due within one year	8	2,292	1,830
- due after more than one year	8	22,461	23,206
Cash at bank and in hand		799	1,235
		25,552	26,271
Current liabilities			
Creditors amounts falling due within one year	9	(6,459)	(6,126)
Net current assets		19,093	20,145
Total assets less current liabilities		19,093	20,145
Creditors amounts falling due after more than one year	9	(18,988)	(20,127)
Net assets		105	18
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	104	17
Shareholder's funds	13	105	18

The presentation of certain cash balances have been reclassified to financial assets Please refer to Note 8

The financial statements of Education Support (Newham) Limited, registered number 4420816, were approved by the Board of Directors and authorised for issue on 16 March 2012 They were signed on its behalf by



M Baybutt
Director
16 March 2012

Notes to the financial statements for the year ended 31 December 2011

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 law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding year, is shown below.

The Company is a wholly owned subsidiary undertaking of John Laing Infrastructure Fund Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

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.

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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 is 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 2011 amounts invoiced in line with the Project Agreement was £3,866,000 (2010 - £3,656,000). Variations invoiced amounted to £122,000 (2010 - £38,000).

e) 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.

f) Interest payable

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

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 ACCOUNTING POLICIES (continued)

g) 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 Company'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

For the year ended 31 December 2011, the blended UK rate of 26.5% is applied due to the change in the UK corporation tax rate from 28% to 26% with effect from 1 April 2011

h) Financial Instruments

The Company uses financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes

i) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

j) Cash

Cash comprise cash at bank and in hand and short term deposits with original maturity of less than three months

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 TURNOVER

	2011	2010
	£'000	£'000
Turnover in the year is analysed as follows		
Concession unitary income	<u>1,543</u>	<u>1,505</u>
	1,543	1,505

3 OPERATING PROFIT

	2011	2010
	£'000	£'000
Operating profit is stated after charging		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	10	10
Fees payable to the Company's auditor for the audit of HoldCo	3	2
Operating and maintenance costs	1,211	1,153
Other operating costs	<u>230</u>	<u>249</u>

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 (2010 - nil)

6 NET INTEREST RECEIVABLE

	2011	2010
	£'000	£'000
Interest receivable and similar income		
Interest receivable on bank deposits	11	4
Interest receivable on finance debtor	<u>1,400</u>	<u>1,440</u>
	1,411	1,444
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(1,194)	(1,227)
Interest payable to parent undertakings	(171)	(176)
Amortised debt issue costs	(15)	(15)
Commitment fee on undrawn loan facility	<u>(1)</u>	<u>(1)</u>
	(1,381)	(1,419)
Net interest receivable	<u>30</u>	<u>25</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011	2010
	£'000	£'000
<u>Analysis of tax charge for the year</u>		
Current tax		
UK corporation tax	(32)	-
Group relief payable	-	(3)
Adjustments in respect of previous periods	-	(4)
Total current tax	<u>(32)</u>	<u>(7)</u>
Deferred tax		
Origination and reversal of timing differences	-	(30)
Adjustments in respect of previous periods	-	4
Total deferred tax	<u>-</u>	<u>(26)</u>
Total tax charge on profit on ordinary activities	<u>(32)</u>	<u>(33)</u>

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge 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

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation	<u>119</u>	<u>118</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	<u>(32)</u>	<u>(33)</u>
Effects of		
Origination and reversal of timing differences	-	30
Adjustments in respect of previous years	-	(4)
Total current tax for the year	<u>(32)</u>	<u>(7)</u>

8 DEBTORS

	2011	2010
	£'000	£'000
Due within one year		
Finance debtor	777	732
Trade debtors	453	83
Financial assets	704	687
Prepayments and accrued income	<u>358</u>	<u>328</u>
	<u>2,292</u>	<u>1,830</u>
Due after more than one year		
Finance debtor	<u>22,461</u>	<u>23,206</u>
	<u>22,461</u>	<u>23,206</u>

Financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit. These amounts have been reclassified from cash in the prior year and the comparatives restated accordingly.

The finance debtor includes cumulative net interest costs of £1,185,000 (2010 - £1,219,000).

	2011	2010
	£'000	£'000
Deferred tax asset		
Balance as at 1 January	-	25
Decreased in recognised deferred tax	-	(25)
Balance as at 31 December	<u>-</u>	<u>-</u>

9 CREDITORS

	2011	2010
	£'000	£'000
Amounts falling due within one year		
Bank loans (note 10)	1,035	1,019
Less: unamortised debt issue costs	(14)	(15)
Amounts owed to parent undertaking	137	289
Amounts owed to group undertakings	-	199
Group relief payable	-	7
Corporation tax	32	-
Other taxation and social security	114	102
Other creditors	4,739	4,109
Accruals and deferred income	<u>416</u>	<u>416</u>
	<u>6,459</u>	<u>6,126</u>
Amounts falling due after more than one year		
Bank loans (note 10)	17,916	18,952
Less: unamortised debt issue costs	(107)	(121)
Amounts owed to parent undertaking	<u>1,179</u>	<u>1,296</u>
	<u>18,988</u>	<u>20,127</u>

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 CREDITORS (continued)

	2011 £'000	2010 £'000
Analysis of debt.		
Debt can be analysed as falling due		
In one year or less	1,035	1,157
Between one and two years	1,071	1,206
Between two and five years	3,206	3,766
In five years or more	<u>13,638</u>	<u>15,276</u>
	<u>18,950</u>	<u>21,405</u>
Less unamortised debt issue costs	(121)	(136)
	<u><u>18,829</u></u>	<u><u>21,269</u></u>

The amount owed to group undertakings in the current and prior year is repayable in line with repayments schedules. Interest is charged at agreed arms length interest rates.

10 LOANS

Bank loans

The Company has the facilities shown below provided by Commerzbank 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 2011 of £ 4,074,928 (2010 - £2,292,039). 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	Amount drawn-down		Repayment period (Years)	Margin during construction	Margin during operation
	Total amount of facility £'000	at 31 December 2011 £'000			
Senior Term loan	23,886	17,695	21 2	1.05%	0.90% to 1.00%
Junior Loan	1,631	1,255	21 2	3.50%	3.25%
Change of Law	222	-	21 2	1.05%	0.90% to 1.00%
	<u>25,739</u>	<u>18,950</u>			

11 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up to 2p each and fully paid		
50,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2011	17
Profit for the financial year	87
At 31 December 2011	<u>104</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	<u>87</u>	<u>85</u>
Net reduction in shareholder's funds	87	85
Opening shareholder's funds / (deficit)	<u>18</u>	<u>(67)</u>
Closing shareholder's funds	<u>105</u>	<u>18</u>

14 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of John Laing Infrastructure Fund Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the John Laing Infrastructure Fund Limited Group

15 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is Education Support (Newham) Holdings Limited, a company incorporated in Great Britain. On 9 December 2011 the shares in the immediate parent company were acquired from John Laing Social Infrastructure Limited and Wates PFI Investments Limited by Palio No 18 Limited

The smallest and largest group in which its results are consolidated is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey. Copies of the consolidated accounts of John Laing Infrastructure Fund Limited are available from the Company's website www.jlif.com

The Company's ultimate parent and controlling entity is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey