EDUCATION SUPPORT (NEWHAM) LIMITED

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

Registered Number 4420816

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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DIRECTORS AND ADVISORS

Directors
M Baybutt
K Shah (appointed 28 September 2012)
A M Bell (resigned 28 September 2012)

Company secretary and registered office
M B Lewis
1 Kingsway
London
WC2B 6AN

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

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2012

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 schools are now all operational and the Company will operate the schools until the end of concession on 31 August 2029

GOING CONCERN

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 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

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk

FINANCIAL RISK MANAGEMENT

Cash flow Risk The company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates and inflation The Company's exposure to interest rate risk is mitigated through the use of interest rate swaps, details of which are set out in note 10 to the financial statements The Company's exposure to inflationary risk is mitigated by having an index-linked unitary contract with the London Borough of Newham

Credit Risk The Company's principal financial assets are cash, financial assets and trade and other receivables The Company's credit risk is primarily attributable to its trade receivables which are with one counterparty although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority

Liquidity Risk At the start of the PFI contract, the company negotiated debt facilities with an external party and the immediate parent company to ensure that the Company has sufficient funds over the life of the PFI concession, details of which are set out in note 10 to the financial statements

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 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

DIRECTORS' REPORT (continued)

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 Annual General Meeting

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

On behalf of the Board

M Baybutt
Director
29 April 2013

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 2012 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 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 2012 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

Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 April 2013

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	**1,439**	1,543
Cost of sales		**(1,329)**	(1,454)
Operating profit	3	**110**	89
Net interest receivable	6	**73**	30
Profit on ordinary activities before taxation		**183**	119
Tax on profit on ordinary activities	7	**(45)**	(32)
Profit for the financial year	12	**138**	87

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

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Current assets			
Debtors		**23,526**	24,753
- due within one year	8	**1,854**	2,292
- due after more than one year	8	**21,672**	22,461
Cash at bank and in hand		**1,321**	799
		24,847	25,552
Current liabilities			
Creditors amounts falling due within one year	9	**(6,833)**	(6,459)
Net current assets		**18,014**	19,093
Total assets less current liabilities		**18,014**	19,093
Creditors: amounts falling due after more than one year	9	**(17,771)**	(18,988)
Net assets		**243**	105
Capital and reserves			
Called up share capital	11	**1**	1
Profit and loss account	12	**242**	104
Shareholder's funds	13	**243**	105

The financial statements of Education Support (Newham) Limited, registered number 4420816, were approved by the Board of Directors and authorised for issue on 29 April 2013 They were signed on its behalf by

M Baybutt
Director
29 April 2013

Notes to the financial statements for the year ended 31 December 2012

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

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

b) Turnover

Turnover is derived entirely from within the United Kingdom and is net of VAT

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 or PFI income will be allocated to the finance debtor

In 2012 amounts invoiced in line with the Project Agreement was £3,889,000 (2011 - £3,866,000) Variations invoiced amounted to £58,000 (2011 - £122,000)

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

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

Notes to the financial statements for the year ended 31 December 2012 (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 2012, the blended UK rate of 24 5% is applied due to the change in the UK corporation tax rate from 26% to 24% with effect from 1 April 2012

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

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 TURNOVER

	2012	2011
Turnover in the year is analysed as follows	£'000	£'000
Service fee revenue	1,367	1,355
Other operating income	72	188
	1,439	1,543

3 OPERATING PROFIT

	2012	2011
	£'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 Education Support (Newham) Holdings Limited	3	3
Operating and maintenance costs	1,316	1,441

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 (2011 - nil)

6 NET INTEREST RECEIVABLE

	2012	2011
	£'000	£'000
Interest receivable and similar income		
Interest receivable on bank deposits	10	11
Interest receivable on finance debtor	1,358	1,400
	1,368	1,411
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(1,138)	(1,194)
Interest payable to parent undertaking	(142)	(171)
Amortised debt issue costs	(14)	(15)
Commitment fee on undrawn loan facility	(1)	(1)
	(1,295)	(1,381)
Net interest receivable	73	30

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012	2011
Analysis of tax charge for the year	£'000	£'000
Current tax		
UK corporation tax	(45)	(32)
Total current tax	(45)	(32)
Total tax charge on profit on ordinary activities	(45)	(32)

Notes to the financial statements for the year ended 31 December 2012 (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

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	**183**	119
Profit on ordinary activities multiplied by the blended rate of corporation tax in the UK of 24 5% (2011 - 26 5%)	**(45)**	(32)
Total current tax for the year	**(45)**	(32)

For the year ended 31 December 2012, the blended UK rate of 24 5% is applied due to the change in the UK corporation tax rate from 26% to 24% with effect from 1 April 2012

8 DEBTORS

	2012 £'000	2011 £'000
Due within one year		
Finance debtor	**825**	777
Trade debtors	**7**	453
Financial assets	**690**	704
Prepayments and accrued income	**332**	358
	1,854	2,292
Due after more than one year		
Finance debtor	**21,672**	22,461
	21,672	22,461

Financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit

The finance debtor includes cumulative net interest costs of £1,142,000 (2011 - £1,185,000)

9 CREDITORS

	2012 £'000	2011 £'000
Amounts falling due within one year		
Bank loans (note 10)	**1,071**	1,035
Less unamortised debt issue costs	**(13)**	(14)
Amounts owed to parent undertaking	**149**	137
Trade creditors	**118**	-
Corporation tax	**67**	32
Other taxation and social security	**126**	114
Other creditors	**4,933**	4,739
Accruals and deferred income	**382**	416
	6,833	6,459
Amounts falling due after more than one year		
Bank loans (note 10)	**16,844**	17,916
Less unamortised debt issue costs	**(94)**	(107)
Amounts owed to parent undertaking	**1,021**	1,179
	17,771	18,988

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 CREDITORS (continued)

	2012 £'000	2011 £'000
Analysis of debt		
Debt can be analysed as falling due		
In one year or less	**1,139**	1,035
Between one and two years	**1,165**	1,071
Between two and five years	**3,393**	3,206
In five years or more	**13,307**	13,638
	19,004	18,950
Less unamortised debt issue costs	**(107)**	(121)
	18,897	18,829

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 £4,299,583 (2010 - £4,074,928) 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	Amount drawn-down at 31 December 2012 £'000	Repayment period (Years)	Margin during construction	Margin during operation
Senior Term loan	**23,886**	**16,721**	21 2	1 05%	0 90% to 1 00%
Junior Loan	**1,631**	**1,194**	21 2	3 50%	3 25%
Change of Law	**222**	**-**	21 2	1 05%	0 90% to 1 00%
	25,739	**17,915**			

11 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up to 2p each and fully paid		
50,000 ordinary shares of £1 each	**1**	1

Notes to the financial statements for the year ended 31 December 2012 (continued)

12 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2012	**104**
Profit for the financial year	**138**
At 31 December 2012	**242**

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	138	87
Net increase in shareholder's funds	138	87
Opening shareholder's funds	105	18
Closing shareholder's funds	**243**	105

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

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