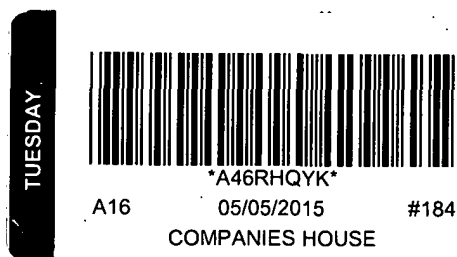


# **EDUCATION SUPPORT (NEWHAM) LIMITED**

**DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2014**



**Registered Number 4420816**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

<b>CONTENTS</b>	<b>Page</b>
Directors and advisors	1
Directors' report	2 - 3
Directors' responsibilities statement	4
Independent auditor's report to the members of Education Support (Newham) Limited	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

**DIRECTORS AND ADVISORS**

**Directors**

K Shah (resigned 5th March 2014)

C Sheppard (appointed 5th March 2014)

J Linney

**Company secretary and registered office**

M B Lewis

1 Kingsway

London

WC2B 6AN

**Auditor**

Deloitte LLP

Chartered Accountants and Statutory Auditor

London

EC4A 3BZ

**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 2014.

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

No Strategic report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

## **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The principal activity of the Company is the design, build and operation of three schools for a Local Authority 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 August 2005, and the schools are now all operational. The Company will operate the schools until the end of concession on 31 August 2029.

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.

## **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.

## **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.

**Cash flow risk:** The Company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures, details of which are set out in note 10 to the financial statements.

**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 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.

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The Directors who served throughout the year, except as noted, 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'S STATEMENT**

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

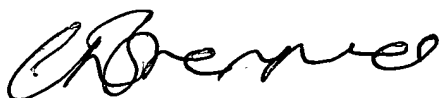
- so far as the director is aware, there is no relevant audit documentation of which the company's auditors is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

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.

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

On behalf of the Board



C Sheppard  
Director  
26th March 2015

## **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 2014 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 16. 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 Auditor.

**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 with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 a Strategic Report or 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  
26th March 2015

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £'000	2013 £'000
Turnover	2	2,797	1,758
Cost of sales		<u>(2,679)</u>	<u>(1,738)</u>
<b>Operating profit</b>	3	<b>118</b>	<b>20</b>
Net interest receivable	6	111	95
<b>Profit on ordinary activities before taxation</b>		<b>229</b>	<b>115</b>
Tax on profit on ordinary activities	7	(49)	(27)
<b>Profit for the financial year</b>	13	<b>180</b>	<b>88</b>

A reconciliation of movements in shareholder's funds 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 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 2014

	Notes	2014 £'000	2013 £'000
<b>Current assets</b>			
Debtors		22,008	22,810
- due within one year	9	2,170	2,034
- due after more than one year	9	19,838	20,776
Cash at bank and in hand		944	1,209
		<u>22,952</u>	<u>24,019</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(7,169)	(7,158)
		<u>15,783</u>	<u>16,861</u>
<b>Net current assets</b>			
		15,783	16,861
<b>Total assets less current liabilities</b>			
		15,783	16,861
Creditors: amounts falling due after more than one year	10	(15,718)	(16,768)
		<u>65</u>	<u>93</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Profit and loss account	13	64	92
		<u>65</u>	<u>93</u>
<b>Shareholder's funds</b>	14		

The financial statements of Education Support (Newham) Limited, registered number 4420816, were approved by the Board of Directors and authorised for issue on 26th March 2015. They were signed on its behalf by:



C Sheppard  
Director  
26th March 2015

Notes to the financial statements for the year ended 31 December 2014

**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 Education Support (Newham) Holdings Ltd and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

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

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 an operating margin on costs.

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 in the period to which they relate.

g) 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.

Notes to the financial statements for the year ended 31 December 2014 (continued)

1 ACCOUNTING POLICIES (continued)

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 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.

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.

k) Amortisation

The senior debt arrangements fees have been amortised on a straight line basis until the final repayment date of the senior loan.

Notes to the financial statements for the year ended 31 December 2014 (continued)

**2 TURNOVER**

	2014	2013
	£'000	£'000
Turnover in the year is analysed as follows:		
Service fee revenue	1,548	1,439
Other operating income	1,249	319
	<u>2,797</u>	<u>1,758</u>

**3 OPERATING PROFIT**

	2014	2013
	£'000	£'000
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's accounts	10	10
Fees payable to the Company's auditor for the audit of Education Support (Newham) Holdings Limited	3	3

**4 DIRECTORS' REMUNERATION**

No Directors received any remuneration for services to the Company during the current or prior year. The company is managed under a Management Services Agreement by Laing Investment Management Services Limited.

**5 STAFF NUMBERS**

The Company had no employees during the year (2013 - nil).

**6 NET INTEREST RECEIVABLE**

	2014	2013
	£'000	£'000
<b>Interest receivable and similar income</b>		
Interest receivable on bank deposits	3	4
Interest receivable on finance debtor	1,254	1,305
	<u>1,257</u>	<u>1,309</u>
<b>Interest payable and similar charges</b>		
Interest payable on bank loans and overdrafts	(1,002)	(1,069)
Interest payable to parent undertaking	(131)	(131)
Amortisation of debt issue costs	(12)	(13)
Commitment fee on undrawn loan facility	(1)	(1)
	<u>(1,146)</u>	<u>(1,214)</u>
Net interest receivable	<u>111</u>	<u>95</u>

**7 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2014	2013
	£'000	£'000
<u>Analysis of tax charge for the year</u>		
<b>Current tax</b>		
UK corporation tax	(49)	(27)
Total current tax	<u>(49)</u>	<u>(27)</u>
<b>Total tax charge on profit on ordinary activities</b>	<u>(49)</u>	<u>(27)</u>

*Factor affecting tax charge for the current year:*

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

Notes to the financial statements for the year ended 31 December 2014 (continued)

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	229	115
Profit on ordinary activities multiplied by the blended rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	(49)	(27)
Total current tax charge for the year	(49)	(27)

For the year ended 31 December 2014, the blended UK rate of 21.5% is applied due to the change in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014.

8 DIVIDENDS

	2014 £'000	2013 £'000
Equity shares		
Interim and final dividend paid of £4.16 (2013 - £4.76) per share	208	238

9 DEBTORS

	2014 £'000	2013 £'000
Due within one year		
Finance debtor	938	886
Trade debtors	212	130
Financial assets	677	664
Prepayments and accrued income	343	354
	2,170	2,034
Due after more than one year		
Finance debtor	19,838	20,776
	19,838	20,776

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

Notes to the financial statements for the year ended 31 December 2014 (continued)

10 CREDITORS

	2014 £'000	2013 £'000
<b>Amounts falling due within one year</b>		
Bank loans (note 11)	1,062	1,084
Less: unamortised debt issue costs	(12)	(13)
Interest owed to parent undertaking	44	60
Trade creditors	147	226
Corporation tax	41	-
Other taxation and social security	29	117
Other creditors	5,482	5,304
Accruals and deferred income	376	380
	<u>7,169</u>	<u>7,158</u>
<b>Amounts falling due after more than one year</b>		
Bank loans (note 11)	14,699	15,761
Less: unamortised debt issue costs	(70)	(82)
Amounts owed to parent undertaking	1,089	1,089
	<u>15,718</u>	<u>16,768</u>
	2014 £'000	2013 £'000
<b>Analysis of debt:</b>		
Debt can be analysed as falling due:		
In one year or less	1,062	1,084
Between one and two years	1,062	1,062
Between two and five years	3,449	3,323
In five years or more	11,277	12,465
	<u>16,850</u>	<u>17,934</u>
Less: unamortised debt issue costs	(82)	(94)
	<u>16,768</u>	<u>17,840</u>

The amount owed to parent undertaking in the current and prior year is repayable in line with repayment schedules. Interest is charged at 12%.

11 LOANS

**Bank loans**

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

Interest on the facilities is charged at a set margin, 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 2013 of £3,411,069 (2013 - £3,065,225).

The loan is secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company. The interest rate is fixed for the life of the loan.

12 CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
<b>Allotted, called up to 2p each and fully paid:</b>		
50,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

Notes to the financial statements for the year ended 31 December 2014 (continued)

13 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2014	92
Profit for the financial year	180
Dividends paid on equity shares (note 8)	(208)
At 31 December 2014	<u>64</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2014 £'000	2013 £'000
Profit for the financial year	180	88
Dividends paid on equity shares (note 8)	(208)	(238)
Net reduction in shareholder's funds	<u>(28)</u>	<u>(150)</u>
Opening shareholder's funds	93	243
Closing shareholder's funds	<u>65</u>	<u>93</u>

15 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Education Support (Newham) Holdings 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 Education Support (Newham) Holdings group.

16 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company and the smallest and largest group in which its results are consolidated is Education Support (Newham) Holdings Limited, a company incorporated in Great Britain and registered in England and Wales whose registered Head Office is 1 Kingsway, London WC2B 6AN.

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