

Registered no 05785531

BY Education (Lewisham) Limited

**Directors' Report and Financial
Statements
31 December 2011**

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Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

The Company's principal activity is the design, build, finance, operation and maintenance of new educational facilities for the Mayor and Burgesses of the London Borough of Lewisham over 30 years under HM Government's Private Finance Initiative. No change in the Company's activities is anticipated.

Results and Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (*2010: £nil*).

Business review

The results for the year are set out in the profit and loss account on page 6.

The Company, as defined in note 17 to the financial statements, has entered into a Project Agreement with the Mayor and Burgesses of the London Borough of Lewisham, together with an associated construction contract, funding agreements and hard and soft services contract. The Project Agreement requires it to finance, design, develop, construct, maintain and deliver three educational facilities within the London Borough of Lewisham. The School facilities are fully operational and the concession period will continue for the next 25 years ending on 15 May 2036.

Key performance indicators (KPIs)

The Company's management regards the level of turnover, deductions, net profit before tax and level of its debts as the key indicators of the Company's performance. These are monitored on a regular basis to assess whether the Company is achieving the targets set. In the year ended 31 December 2011, deductions of £4,790 (*2010: £15,884*) had been levied.

Going concern

Notwithstanding the deficit on net assets, the directors consider it appropriate to prepare the financial statements on a going concern basis on the grounds that the review of the profit forecasts demonstrates an improvement in the future financial performance and that the Company has access to banking facilities, (see note 11 to the financial statements), which are sufficient to meet its financial obligations as they fall due.

Directors and directors' interest

The directors who served during the year were as follows:

B Bodin

D Carr (Alternate to B Bodin)

P J Cooper (deceased 1 October 2011)

G A Quaife

D Lambrecht (resigned 6 May 2011)

L Desplanques (appointed 6 May 2011)

S Phipps (alternate to L Desplanques) appointed 6 May 2011

Y P Le Saux (resigned 29 November 2011)

A Grolin (appointed 19 December 2011)

Since the balance sheet date the following changes have occurred:

M Wayment (resigned 5 March 2012)

R Newton (appointed 5 March 2012)

Director's report *(continued)*

Directors' liabilities

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of Section 234 of the Companies Act 2006

Supplier payment policy

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

The amount due to the Company's trade creditors at 31 December 2011 represented nil (2010 9 days') average daily purchases of goods and services received from those creditors, calculated in accordance with Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

Political and charitable contributions

The Company made no political or charitable contributions during the year (2010 £nil)

Financial risk management policies and objectives

The Company's principal financial instruments comprise short term bank deposit, bank debt at LIBOR plus a bank margin with a swap contract in place to hedge interest rates

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director 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 pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

KPMG LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under section 487 of the Companies Act 2006

Statement of Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the Directors and of the auditor in relation to the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

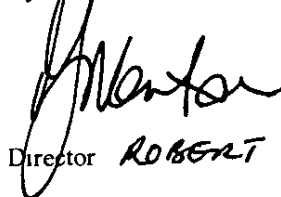
The financial statements are required by law to present fairly the financial position and the performance of the Company, the Company's Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the Board



Director ROBERT NEWTON

Date 08/08/12

Registered Office
21 St Thomas Street
Bristol
BS1 6JS

Independent auditor's report to the members of BY Education (Lewisham) Limited

We have audited the financial statements of By Education (Lewisham) Ltd for the year ended 31 December 2011 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site www.frc.org.uk/apb/scope/private.cfm.

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 loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



A Moses, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Arlington Business Park
Theale
Reading RG7 4SD

Date **7 Aug 2012**

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Turnover	2	2,990	3,023
Cost of sales		(2,632)	(2,234)
Gross profit		358	789
Administrative expenses		(409)	(709)
Operating (loss) / profit		(51)	80
Other interest receivable and similar income	6	2,755	2,777
Interest payable and similar charges	7	(3,087)	(3,239)
Loss on ordinary activities before taxation	3	(383)	(382)
Tax on loss on ordinary activities	8	50	84
Loss for the financial year		(333)	(298)

The results above are all derived from continuing operations. There are no recognised gains or losses other than the loss for the year.

Movements in reserves are shown in note 13.

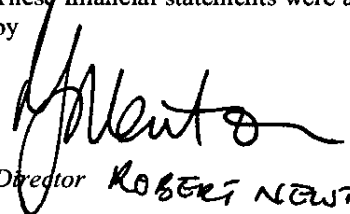
The notes on pages 9 to 15 form part of these financial statements.

Balance sheet
as at 31 December 2011
 Registered no 05785531

	<i>Note</i>	2011 £'000	2010 £'000
Current assets			
Debtors (including £44,844,684 (2010 £45,611,323)) due after more than one year)	9	45,808	46,507
Cash at bank and in hand		4,311	4,152
		<u>50,119</u>	<u>50,659</u>
Creditors: amounts falling due within one year	10	(7,786)	(6,856)
		<u>42,333</u>	<u>43,803</u>
Net current assets			
Creditors: amounts falling due after more than one year	11	(44,231)	(45,368)
		<u>(1,898)</u>	<u>(1,565)</u>
Net liabilities			
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	(1,899)	(1,566)
		<u>(1,898)</u>	<u>(1,565)</u>
Equity shareholders' deficit			
		<u>(1,898)</u>	<u>(1,565)</u>

The notes on pages 9 to 15 form part of these financial statements

These financial statements were approved by the Board of directors on 3 August 2012 and were signed on its behalf by


 Director ROBERT NEWTON

Reconciliation of movements in shareholders' deficit
for the year ended 31 December 2011

	Year ended 31 December 2011	Year ended 31 December 2010
	£'000	£'000
Loss for the financial year	(333)	(298)
Opening shareholders' deficit	(1,566)	(1,268)
Closing shareholders' deficit	<u>(1,899)</u>	<u>(1,566)</u>

Notes to financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

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

Basis of consolidation

Under Financial Reporting Standard ("FRS") 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of BY Education (Lewisham) Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of BY Education (Lewisham) Holdings Limited, within which this Company is included, can be obtained from the address given in note 17

Notwithstanding the deficit on net assets, the directors consider it appropriate to prepare the financial statements on a going concern basis on the grounds that, the review of profit forecasts demonstrates an improvement in the future financial performance and that the Company has access to banking facilities (see note 11 to the financial statements) which are sufficient to meet its financial obligations as they fall due

Finance debtor and services income

The Company is an operator of a Private Finance Initiative ("PFI") contract The underlying asset is not deemed to be a tangible asset of the Company under FRS 5 Application Note F because the rewards of ownership as set in that standard are deemed to lie principally with the Mayor and Burgesses of the London Borough of Lewisham

During the construction phase of the project, all attributable expenditure is included in amounts recoverable on contracts and turnover Upon becoming operational, the costs are transferred to the finance debtor During the operational phase income will be allocated between interest receivable and the finance debtor using a project specific interest rate The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 5 Application Note G The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of those services is recognised when the services are performed

Interest

Interest costs are expensed to the profit and loss account during both construction and operational stage of the project

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes to financial statements (continued)

2 Analysis of turnover

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Services income	2,426	2,791
Other pass through income	564	232
	<u>2,990</u>	<u>3,023</u>

Services income relates to the facilities management at Greenvale School, Forest Hill Secondary School and Prendergast Ladywell Fields College. Other pass through income relates to additional variation works funded by the London Borough of Lewisham.

All turnover and loss on ordinary activities before taxation originates in the United Kingdom. Turnover is recognised in accordance with the finance debtor and services income accounting policy and excludes VAT.

3 Loss on ordinary activities before taxation

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit of these financial statements	6	6

4 Remuneration of directors

None of the directors received any emoluments from the company (2010: £nil). However, a total amount of £30,000 (2010: £15,000) is due to the employers for the services of directors.

5 Staff numbers and costs

The Company had no employees during the year under review (2010: nil).

6 Other interest receivable and similar income

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Finance debtor interest income	2,724	2,769
Bank interest	31	8
	<u>2,755</u>	<u>2,777</u>

Notes to financial statements (continued)

7 Interest payable and similar charges

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Interest on bank loans	2,448	2,512
Subordinated debt interest	602	699
Amortisation of debt issue costs	18	18
Other similar charges	19	10
	<u>3,087</u>	<u>3,239</u>

8 Taxation

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination/ reversal of timing differences	(100)	(107)
Adjustment in respect of tax change	50	23
Tax on loss on ordinary activities	<u>(50)</u>	<u>(84)</u>

Factors affecting the tax charge for the current period

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(383)	(382)
Current tax at 26% (2010 28 %)	<u>(100)</u>	<u>(107)</u>
Effect of Carried forward losses	100	107
Total current tax charge (see above)	<u>-</u>	<u>-</u>

Notes to financial statements (continued)

8 Taxation (continued)

Factors affecting future tax charges

The Group has total accumulated tax losses of £2,695,885 (2010 £2,311,846) which have been carried forward and will be offset against future taxable profits. A deferred tax asset has been recognised for the tax losses.

Deferred tax

Deferred tax is provided at 25% (2010 27 %) on the following losses (note 9)

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Deferred tax	674	624

A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 30 March 2012.

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £26,959.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

9 Debtors

	2011 £'000	2010 £'000
Finance debtor	44,987	45,756
Trade debtors	34	102
Other debtors	113	25
Deferred taxation (see note 8)	674	624
	45,808	46,507

Debtors include finance debtor of £44,987,125 (2010 £45,756,108) of which £816,412 (2010 £768,983) is due less than one year and £44,170,713 (2010 £44,987,125) is due after more than one year, and a deferred tax asset of £673,971 (2010 £624,198), which is expected to be offset against taxable profits after more than one year.

Notes to financial statements (continued)

10 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	-	63
Accruals	1,467	1,401
Bank loans	1,221	1,187
Subordinated debt	149	155
Unitary charge control account	4,949	3,949
Other creditors (VAT)	-	101
	<u>7,786</u>	<u>6,856</u>

11 Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Bank loans	42,014	43,201
Subordinated debt	4,011	3,951
Less Unamortised issue costs	(424)	(442)
	<u>45,601</u>	<u>46,710</u>
Less Amounts due within one year	(1,370)	(1,342)
	<u>44,231</u>	<u>45,368</u>

Analysis of debt

	2011 £'000	2010 £'000
<i>Debt can be analysed as falling due</i>		
- In one year or less, or on demand	1,370	1,342
- Between one and two years	1,382	1,366
- Between two and five years	4,046	4,092
- In five years or more	39,227	40,352
	<u>46,025</u>	<u>47,152</u>

Bank loans are secured by fixed and floating charges over the assets of the Company

Bank loans bear interest based on LIBOR. The Company has entered into swap contracts for the period 3 August 2006 to 30 April 2035 covering all of the debt drawn down which hedges the Company's interest rate exposure on the senior debt of £46,470,000. Bank loans bear interest based on LIBOR plus a swap spread of 4.945%.

The bank loans are repayable in six monthly instalments commencing on 31 March 2009 and ending on 15 May 2035. The Company has agreed bank facility terms to borrow up to £51,510,236. The facility is subject to certain financial and non-financial covenants.

Notes to financial statements (continued)

11 Creditors: amounts falling due after more than one year (continued)

The index-linked subordinated unsecured loan stock issued to the company bears interest at 10.30% and is fully redeemable by 31 March 2036. The subordinated debt is repayable in six monthly instalments commencing on 31 March 2009.

12 Called up share capital

	2011 £'000	2010 £'000
<i>Allotted, called up and fully paid</i>		
Equity Ordinary shares of £1 each	1	1

13 Profit and loss account

	2011 £'000	2010 £'000
At beginning of year	(1,566)	(1,268)
Loss for the financial year	(333)	(298)
At end of year	(1,899)	(1,566)

14 Commitments

Capital commitments at the end of the financial year for which no provision has been made is £nil (2010: £nil).

15 Post Balance Sheet Events

There were no significant events between the balance sheet date, 31 December 2011, and the date the financial statements were approved by the board of directors.

16 Related party disclosures

During the year, the Company incurred costs charged by these related parties which are detailed as follows:

	Cash transactions		Balance owed to	
	2011	Expense	at year end	
	£'000	2010 £'000	2011 £'000	2010 £'000
Subordinated debt				
InfraRed (Infrastructure) Capital Partners Limited	486	402	3,409	3,412
Bouygues Construction Investments (UK) Ltd	85	83	602	602
Directors' fee	30	15	30	15
SPV Management fees	227	121	227	-
	<u>828</u>	<u>621</u>	<u>4,268</u>	<u>4,029</u>

Notes to financial statements *(continued)*

17 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of BY Education (Lewisham) Holdings Limited which is incorporated in the United Kingdom

InfraRed (Infrastructure) Capital Partners Limited as general partner for and on behalf of each of the several limited partnerships constituting HICL Infrastructure Fund II is the majority shareholder of BY Education (Lewisham) Holdings Limited

The largest and smallest group in which the results of the Company are consolidated is that headed by BY Education (Lewisham) Holdings Limited. The consolidated accounts of this group are available to the public and may be obtained from the Secretary, BY Education (Lewisham) Holdings Limited, 21 St Thomas Street, Bristol, BS1 6JS