

BY Education (Lewisham) Limited

**Directors' Report and Financial
Statements**

Registered number: 05785531

31 December 2012



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	3
Independent auditor's report to the members of BY Education (Lewisham) Limited	4
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholders' deficit	8
Notes	9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

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 ('the Authority') over 30 years under HM Government's Private Finance Initiative ("PFI"). 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 2012 (2011 £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 15 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 24 years ending on 15 May 2036

Key performance indicators (KPIs)

1 Performance deductions under the service contract

Financial penalties are levied by the "Authority" in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider. In the year ended 31 December 2012, deductions of £7,492 (2011 £4,790) had been levied which represents 0.2% (2011 0.2%) of revenue. The directors believe the performance for the year to be satisfactory

2 Financial performance

The Company has modelled the anticipated financial outcome of the Project across its full term. The company monitors actual financial performance against this anticipated performance. As at 31 December 2012, the Company's performance against this measure was satisfactory

Position of the Company at the year end

In the opinion of the directors the operating phase of the Project is performing satisfactorily

Principal risks and uncertainties

The Mayor and Burgesses of the London Borough of Lewisham is the sole client of the Company but the directors consider that no significant risk arises from such a small client base since the Secretary of State for Education has underwritten the Authority's obligations under the Project Agreement

Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees

Financial risk management policies and objectives

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

Directors' report *(continued)*

Directors and directors' interest

The directors who served during the year were as follows

B Bodin (resigned 8 March 2012)

D Carr (resigned 19 December 2012)

E Chautemps (appointed 8 March 2012 and resigned 19 December 2012)

G A Quaife

L Desplanques (resigned 27 September 2012)

S Phipps (resigned 19 December 2012)

A Grolin (resigned 19 December 2012)

M Wayment (resigned 5 March 2012)

R Newton (appointed 5 March 2012)

D Gill (appointed 27 September 2012 and resigned 19 December 2012)

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 the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

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 2012 represented 61 days (2011 nil) 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.

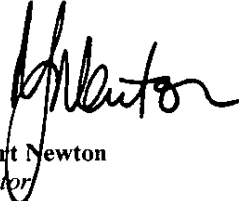
Disclosure of information to auditor

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.

Auditor

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

By order of the Board



Robert Newton
Director

28 May 2013

21 St Thomas Street
Bristol
BS1 6JS

Statement of directors' responsibilities in respect of the Directors' report and 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)

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 period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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



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

We have audited the financial statements of BY Education (Lewisham) Limited for the year ended 31 December 2012 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 3, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 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.

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

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



Amanda Moses (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

12 June 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Turnover	2	4,084	2,990
Cost of sales		(3,302)	(2,632)
Gross profit		782	358
Administrative expenses		(591)	(409)
Operating profit/(loss)		191	(51)
Interest receivable and similar income	6	2,715	2,755
Interest payable and similar charges	7	(2,933)	(3,087)
Loss on ordinary activities before taxation	3	(27)	(383)
Tax on loss on ordinary activities	8	(48)	50
Loss for the financial year	13	(75)	(333)

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.

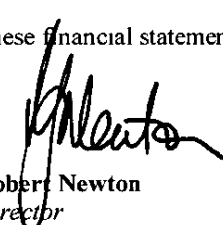
The notes on pages 9 to 15 form part of these financial statements.

Balance sheet
as at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Current assets			
Debtors (including £43,304,000 (2011 £44,171,000) due after more than one year)	9	45,525	45,808
Cash at bank and in hand		4,571	4,311
		<hr/> 50,096	<hr/> 50,119
Creditors amounts falling due within one year	10	(9,065)	(7,786)
		<hr/> 41,031	<hr/> 42,333
Net current assets			
Creditors' amounts falling due after more than one year	11	(43,004)	(44,231)
		<hr/> (1,973)	<hr/> (1,898)
Net liabilities			
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	(1,974)	(1,899)
		<hr/> (1,973)	<hr/> (1,898)
Equity shareholders' deficit			
		<hr/> (1,973)	<hr/> (1,898)

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

These financial statements were approved by the Board of directors on 28 May 2013 and were signed on its behalf by


Robert Newton
 Director

Reconciliation of movements in shareholders' deficit
for the year ended 31 December 2012

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Loss for the financial year	(75)	(333)
Opening shareholders' deficit	(1,898)	(1,565)
Closing shareholders' deficit	<u>(1,973)</u>	<u>(1,898)</u>

Notes

(forming part of the 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

Under 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 ByEducation (Lewisham) Holdings Limited, within which this Company is included, can be obtained from the address given in note 15

Going concern

Notwithstanding the deficit on net assets of £1,973,000 (2011 £1,898,000) the directors consider it appropriate to prepare the financial statements on a going concern basis for the following reasons They have reviewed the cash flow forecast and taking into account reasonable possible risks in operations to the Company and the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for Education and therefore believe that the Company will be able to settle its liabilities as they fall due for the foreseeable future

Finance debtor and services income

The Company is an operator of a PFI contract The underlying asset is not deemed to be a tangible asset of the Company under FRS 5 Application Note F because the risks with rewards of ownership 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 excluding interest was included in amounts recoverable on contracts and turnover Upon becoming operational, the costs were transferred to the finance debtor During the operational phase income is 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

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

Turnover

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

Notes (continued)

2 Analysis of turnover

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Services income	4,084	2,990

Services income relates to the facilities management at Greenvale School, Forest Hill Secondary School and Prendergast Ladywell Fields College

All turnover and loss on ordinary activities before taxation originates in the United Kingdom

3 Loss on ordinary activities before taxation

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit of these financial statements	7	6

4 Remuneration of directors

None of the directors received any emoluments from the company (2011 £Nil) However, a total amount of £34,000 (2011 £30,000) is payable for the services of directors See note 14 for details

5 Staff numbers and costs

The Company had no employees during the year under review (2011 Nil)

6 Interest receivable and similar income

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Finance debtor interest income	2,677	2,724
Bank interest	38	31
	<u>2,715</u>	<u>2,755</u>

Notes (continued)

7 Interest payable and similar charges

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Interest on bank loans	2,370	2,448
Subordinated debt interest	526	602
Amortisation of debt issue costs	18	18
Other similar charges	19	19
	<u>2,933</u>	<u>3,087</u>

8 Taxation

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences	(7)	(100)
Adjustment in respect of tax change	55	50
	<u>48</u>	<u>(50)</u>
Tax on loss on ordinary activities	48	(50)

Factors affecting the tax charge for the current period

The current tax credit is lower (2011 lower) than the standard rate of corporation tax in the UK (24.5%, 2011 26.5%)

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(27)	(383)
	<u>(27)</u>	<u>(383)</u>
Current tax at 24.5% (2011 26.5%)	(7)	(100)
	<u>(7)</u>	<u>(100)</u>
Effect of Carried forward losses	7	100
	<u>7</u>	<u>100</u>
Total current tax charge (see above)	-	-

Notes (continued)

8 Taxation (continued)

Deferred tax

Deferred tax is provided at 23% (2011 25%) on the following losses (note 9)

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Tax losses	2,723	2,696

Factors that may affect future current and total tax charges

On 21 March 2012 the Chancellor announced that the main rate of UK corporation tax would reduce from 24 per cent to 23 per cent with effect from 1 April 2013. This tax change became substantively enacted in July 2012. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23 per cent substantively enacted at the balance sheet date.

On 20 March 2013 the Chancellor also proposed changes to further reduce the main rate of corporation tax by two per cent to 21 per cent on 1 April 2014 and by a further one percent to 20 per cent on 1 April 2015, but these changes have not yet been substantively enacted and therefore are not included in the figures above.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% 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

	2012 £000	2011 £000
Finance debtor	44,171	44,987
Trade debtors	466	34
Other debtors	262	113
Deferred taxation (see note 8)	626	674
	<u>45,525</u>	<u>45,808</u>

Debtors include finance debtor of £43,304,000 (2011 £44,171,000) due after more than one year.

Notes (continued)

10 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Subordinated debt	165	149
Bank loans	1,217	1,221
Trade creditors	661	-
Accruals	1,179	1,467
Unitary charge control account	5,685	4,949
Other creditors	158	-
	<u>9,065</u>	<u>7,786</u>

11 Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Bank loans	39,576	40,793
Subordinated debt	3,835	3,862
Less Unamortised issue costs	(407)	(424)
	<u>43,004</u>	<u>44,231</u>

Analysis of debt

	2012 £000	2011 £000
<i>Debt can be analysed as falling due</i>		
- In one year or less, or on demand	1,382	1,370
- Between one and two years	1,392	1,382
- Between two and five years	4,012	4,046
- In five years or more	38,007	39,227
	<u>44,793</u>	<u>46,025</u>

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

The Company has entered into swap contracts for the period 3 August 2006 to 30 April 2035 covering all of the bank debt drawn down which hedges the Company's interest rate exposure. 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 facility is subject to certain financial and non-financial covenants.

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 which commenced on 31 March 2009.

Notes (continued)

12 Called up share capital

	2012 £000	2011 £000
<i>Allotted, called up and fully paid</i>		
Equity 1,000 (2011 1000) ordinary shares of £1 each	1	1

13 Profit and loss account

	2012 £000	2011 £000
At beginning of year	(1,899)	(1,566)
Loss for the financial year	(75)	(333)
At end of year	(1,974)	(1,899)

14 Related party disclosures

During the year, payments were made by the Company to Bouygues Construction Investments (UK) Limited (a 15% shareholder in the Company's immediate parent undertaking up until 18 December 2012) and InfraRed (Infrastructure) Capital Partners Limited (an 85% shareholder in the Company's immediate parent undertaking until 18 December 2012 when it became the 100% shareholder and transferred the investment to InfraRed Infrastructure Yield Holdings Limited) which are detailed below

	Expense transactions		Balance owed to/(from) at year end	
	2012 £000	2011 £000	2012 £000	2011 £000
Management services				
- InfraRed (Infrastructure) Capital Partners Limited	104	227	-	227
Directors' fees				
- InfraRed (Infrastructure) Capital Partners Limited	34	30	91	30
Subordinated debt				
- BCI Limited	79	85	-	602
- InfraRed (Infrastructure) Capital Partners Limited	447	486	-	3,409
- InfraRed Infrastructure Yield Holdings Limited	-	-	4,000	-
	664	828	4,091	4,268

Notes *(continued)*

15 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

The ultimate parent is InfraRed Capital Partners (Management) LLP incorporated in England and Wales

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