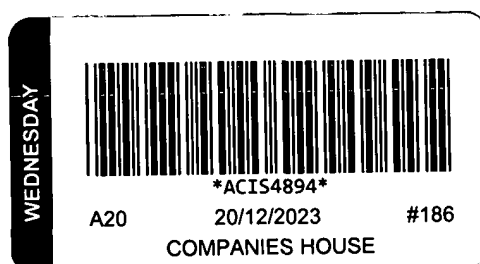


Company registration number 05785531 (England and Wales)

BY EDUCATION (LEWISHAM) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



BY EDUCATION (LEWISHAM) LIMITED

COMPANY INFORMATION

Directors	K V Morgan E J Beswetherick	(Appointed 25 July 2022)
Secretary	O Peach	
Company number	05785531	
Registered office	3rd Floor, South Building 200 Aldersgate Street London England EC1A 4HD	
Auditor	Johnston Carmichael LLP Chartered Accountants 7-11 Melville Street Edinburgh EH3 7PE	

BY EDUCATION (LEWISHAM) LIMITED

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BY EDUCATION (LEWISHAM) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is the finance, design and construction, refurbishment and operation of education facilities under the Government's Private Finance Initiative ("PFI"). The construction phase ended in 2008 whereupon the Company commenced the operational phase. Operational activities have continued throughout the year and the Company will continue in this activity for the foreseeable future.

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: nil).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

K V Morgan

(Appointed 25 July 2022)

E J Beswetherick

A McErlane

(Appointed 17 May 2022 and resigned 29 November 2022)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

Johnston Carmichael LLP were appointed as auditor of the company for the year ended 31 December 2022. In accordance with Section 485 of the Companies Act 2006, a resolution will be made in respect of their re-appointment.

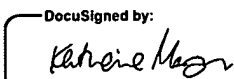
Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

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

On behalf of the board

DocuSigned by:

A188F74D814843C...
K V Morgan
Director

15 December 2023

BY EDUCATION (LEWISHAM) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 period. 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;
- 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.

BY EDUCATION (LEWISHAM) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF BY EDUCATION (LEWISHAM) LIMITED

Opinion

We have audited the financial statements of By Education (Lewisham) Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

BY EDUCATION (LEWISHAM) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BY EDUCATION (LEWISHAM) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Generally Accepted Accounting Practice, including FRS 102;
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

BY EDUCATION (LEWISHAM) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BY EDUCATION (LEWISHAM) LIMITED

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified heightened fraud risks in relation to income recognition and management override of controls.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Recalculating the unitary charge received by taking the base charge per the project agreement and uplifting for RPI;
- Agreeing a sample of months' income receipts to invoice and bank statements;
- Performing an assessment on the service margins used in the year and agreeing margins used to the active financial models;
- Reconciling the finance income and amortisation to the finance debtor reconciliation to ensure allocation methodology is in line with contractual terms and relevant accounting standards;
- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

BY EDUCATION (LEWISHAM) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BY EDUCATION (LEWISHAM) LIMITED

Johnston Carmichael LLP

Allison Dalton
Senior Statutory Auditor
For and on behalf of Johnston Carmichael LLP

15 December 2023

Chartered Accountants
Statutory Auditor

Chartered Accountants
7-11 Melville Street
Edinburgh
EH3 7PE

BY EDUCATION (LEWISHAM) LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £000	2021 £000
Turnover	4	5,213	5,155
Cost of sales		(4,095)	(4,078)
Gross profit		1,118	1,077
Administrative expenses		(554)	(515)
Operating profit		564	562
Interest receivable and similar income	8	2,019	2,095
Interest payable and similar expenses	9	(2,219)	(2,083)
Profit before taxation		364	574
Tax on profit	10	(69)	(129)
Profit for the financial year		295	445
Other comprehensive income			
Cash flow hedges gain arising in the year		7,322	3,759
Tax relating to other comprehensive income		(1,830)	(181)
Total comprehensive income for the year		5,787	4,023

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

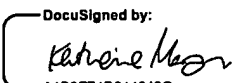
BY EDUCATION (LEWISHAM) LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2022**

		2022		2021	
	Notes	£000	£000	as restated £000	£000
Current assets					
Debtors falling due after more than one year	12	27,013		30,044	
Debtors falling due within one year	12	1,259		979	
Cash at bank and in hand		3,657		3,342	
		<u>31,929</u>		<u>34,365</u>	
Creditors: amounts falling due within one year	13	<u>(2,735)</u>		<u>(2,538)</u>	
Net current assets			29,194		31,827
Creditors: amounts falling due after more than one year	14		(31,094)		(39,514)
Net liabilities			<u>(1,900)</u>		<u>(7,687)</u>
Capital and reserves					
Called up share capital	17		1		1
Hedging reserve	18		(1,174)		(6,666)
Profit and loss reserves	18		(727)		(1,022)
Total equity			<u>(1,900)</u>		<u>(7,687)</u>

The notes on pages 10 to 22 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 15 December 2023 and are signed on its behalf by:

DocuSigned by:

 A188F74D814843C...
K V Morgan
Director

Company registration number 05785531 (England and Wales)

BY EDUCATION (LEWISHAM) LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital	Hedging reserve	Profit and loss reserves	Total
	£000	£000	£000	£000
Balance at 1 January 2021	1	(10,244)	(1,467)	(11,710)
Year ended 31 December 2021:				
Profit	-	-	445	445
Other comprehensive income:				
Cash flow hedges gains	-	3,759	-	3,759
Tax relating to other comprehensive income	-	(181)	-	(181)
Total comprehensive income	-	3,578	445	4,023
Balance at 31 December 2021	1	(6,666)	(1,022)	(7,687)
Year ended 31 December 2022:				
Profit	-	-	295	295
Other comprehensive income:				
Cash flow hedges gains	-	7,322	-	7,322
Tax relating to other comprehensive income	-	(1,830)	-	(1,830)
Total comprehensive income	-	5,492	295	5,787
Balance at 31 December 2022	1	(1,174)	(727)	(1,900)

The notes on pages 10 to 22 form part of these financial statements.

BY EDUCATION (LEWISHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

By Education (Lewisham) Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in England and Wales in the UK. The registered office is 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

Except with regard to derivative financial instruments which are held at fair value, the financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of By Education (Lewisham) Holdings Limited. These consolidated financial statements are available from its registered office, 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD.

The accounting policies set out below have, unless otherwise stated been applied consistently to all periods presented in these financial statements.

BY EDUCATION (LEWISHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company has net liabilities of £1,900,000 as at the 31st December 2022 and generated a profit for the year ended of £295,000. Net Liabilities are partly due to the cashflow hedge reserve which is expected to unwind over the life of the concession. The Directors have reviewed the company's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2035.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its borrowings.

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Company would lead to service failure points being awarded against the Company in accordance with the terms of the Company's contract with London Borough of Lewisham Council sufficient to cause an event of default under the terms of the terms of the Company's external borrowings. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Company will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks with rewards of ownership as set out in the standard are deemed to lie principally with the Mayor and Burgesses of the London Borough of Lewisham. On transition to FRS102, the Company took the opportunity to grandfather the accounting treatment adopted under old UK GAAP.

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 financial 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 102 section 23. 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.

BY EDUCATION (LEWISHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Restricted Cash

The Company is obliged under the terms of its Accounts Agreement to keep a separate cash reserve in respect of future major maintenance costs and financing costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance amounts to £2,055,000 at the year end (2021: £2,020,000) and are classed as callable on demand.

1.5 Financial instruments

Classification of financial instruments issued by the Company

In accordance with FRS 102.22 financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a. they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Classification of financial instruments issued by the Company

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amount presented in these financial statements for called up share capital and share premium account exclude amount in relation to those shares.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Interest-bearing borrowings classified as basic financial instruments.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below,

BY EDUCATION (LEWISHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The Company has entered into an Interest rate swap and designated this hedge as a highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

Impairment of financial assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying value and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Hedge accounting

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

BY EDUCATION (LEWISHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Cashflows on loan and interest rate swaps are paid semi-annually on the 31st March and 30th September each year and expire on the 30th April 2035.

On 3rd August 2006 the Company entered into an interest rate swap arrangement with third parties for the notional amount of the company's variable rate borrowings which has the commercial effect of swapping variable rate interest coupon on the loan for a fixed rate coupon of 4.945%

The Company has entered into an interest rate swap agreement under the bank loan which expires in April 2035. A fixed rate of 4.95% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to SONIA to the fixed rate above.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.8 Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy included in note 1.3 above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

BY EDUCATION (LEWISHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.9 Service Concession

The company is an operator of a Public Finance Initiative ("PFI") contract. The company entered into a Project Agreement (the "contract") with London Borough of Lewisham Authority (the "Authority") to Design, construct and provide Hard FM operations of the Lewisham schools (Forest Hill, Greenvale and PLFC). The contract negotiations were successfully completed on 3rd August 2006 and construction commenced immediately. The project has been fully operational since 3rd February 2009. The concession period is for 26 years 6 1/2 months, during this period the company has contracted Bouygues to provide hard FM, soft FM services and lifecycle services to the Authority. Lifecycle risk is taken by Bouygues and invoiced monthly in accordance with a schedule of monthly lifecycle costs. The accounting treatment adopted is to recognise lifecycle costs as invoiced and recognise revenue accordingly.

The Contract entitles the Authority to a share in any savings made by the company on the actual insurance premiums incurred versus those assumed during the contract negotiations. Any savings are shared with the Authority on a biennial basis.

The Authority are entitled to terminate the Contract at any time by giving 6 months written notice. If the Authority exercise this right they are liable to pay the company compensation as set out in the Contract, which would include the senior debt, redundancy costs and other Facilities Management provider losses and the market value of the subordinated debt and shareholder equity.

As the company entered into the contract prior to the date of transition to FRS102, the company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

2 Change in accounting policy

During the period the Company elected to put through a change in accounting policy in relation to the classification of the Unitary Charge Control Account. The reclassification moves the balance from being shown within creditors due within one year to being net against the Finance Debtor within Debtors. This has been adjudged to better reflect the true nature of the balance as it is essentially a form of amortisation against the Finance Debtor, rather than a balance that will be required to be settled within one year, as such the change in accounting policy reflects a more accurate picture of the financial statements.

For the current period a balance of £5,535,000 has been reclassified from Creditors due within one year to Debtors. In the prior period a balance of £5,803,000 has been reclassified from Creditors Due within one year to Debtors.

BY EDUCATION (LEWISHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****3 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Areas of accounting judgement or estimation uncertainty in applying accounting policies are described below:

- Accounting for the service concession contract and finance debtor requires an estimation of service margins and finance debtor interest rates which is based on forecasted results of the service concession contract.

4 Turnover and other revenue

	2022	2021
	£000	£000
Turnover analysed by class of business		
Service Charge	4,981	5,125
Pass Through	232	30
	<u>5,213</u>	<u>5,155</u>
	2022	2021
	£000	£000
Other revenue		
Interest income	<u>2,019</u>	<u>2,095</u>

5 Auditor's remuneration

	2022	2021
	£000	£000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>17</u>	<u>14</u>

6 Employees

The Company had no employees during the year under review (2021: none).

	2022	2021
	Number	Number
Total	<u>-</u>	<u>-</u>

BY EDUCATION (LEWISHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****7 Directors' remuneration**

None of the directors received any emoluments from the Company (2021: £NIL). However, a total payment of £53,000 (2021: £49,000) was made to a related undertaking for the services of the directors.

8 Interest receivable and similar income

	2022	2021
	£000	£000
Interest income		
Other interest income	2,019	2,095
	<u>2,019</u>	<u>2,095</u>

9 Interest payable and similar expenses

	2022	2021
	£000	£000
Interest on bank overdrafts and loans	1,724	1,828
Interest payable to group undertakings	495	255
	<u>2,219</u>	<u>2,083</u>

10 Taxation

	2022	2021
	£000	£000
Deferred tax		
Origination and reversal of timing differences	69	129
	<u>69</u>	<u>129</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£000	£000
Profit before taxation	364	574
	<u>364</u>	<u>574</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	69	109
Other non-reversing timing differences	-	20
	<u>69</u>	<u>129</u>
Taxation charge for the year	69	129
	<u>69</u>	<u>129</u>

BY EDUCATION (LEWISHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****10 Taxation****(Continued)**

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022	2021
	£000	£000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	1,830	181
	<u>1,830</u>	<u>181</u>

Following the March 2021 Budget, plans were announced to increase the UK corporation tax rate to 25% effective 1 April 2023. The deferred tax asset at 31 December 2022 has been calculated using a rate of 25%.

11 Financial instruments

	2022	2021
	£000	£000
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	1,566	8,887
	<u>1,566</u>	<u>8,887</u>

The fair value of the interest rate swap is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

12 Debtors

	2022	2021
	£000	£000
Amounts falling due within one year:		As restated
Trade debtors	163	15
Finance debtor	826	905
Prepayments and accrued income	270	59
	<u>1,259</u>	<u>979</u>
	<u>1,259</u>	<u>979</u>
Amounts falling due after more than one year:		As restated
Finance debtor	26,276	27,433
Deferred tax asset (note 16)	737	2,611
	<u>27,013</u>	<u>30,044</u>
	<u>27,013</u>	<u>30,044</u>
Total debtors	<u>28,272</u>	<u>31,023</u>
	<u>28,272</u>	<u>31,023</u>

BY EDUCATION (LEWISHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****13 Creditors: amounts falling due within one year**

	Notes	2022 £000	2021 £000 As restated
Bank loans	15	1,326	1,243
Trade creditors		380	109
Amounts owed to group undertakings		59	38
Other creditors		54	67
Accruals and deferred income		916	1,081
		<u>2,735</u>	<u>2,538</u>

14 Creditors: amounts falling due after more than one year

	Notes	2022 £000	2021 £000
Bank loans and overdrafts	15	27,199	28,525
Amounts owed to group undertakings	15	2,329	2,102
Derivative financial instruments		1,566	8,887
		<u>31,094</u>	<u>39,514</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	(23,113)	(24,332)
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15 Loans and overdrafts

	2022 £000	2021 £000
Bank loans	28,525	29,768
Loans from group undertakings	2,329	2,102
	<u>30,854</u>	<u>31,870</u>
Payable within one year	1,326	1,243
Payable after one year	<u>29,528</u>	<u>30,627</u>

BY EDUCATION (LEWISHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****15 Loans and overdrafts****(Continued)**

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 debt projected to be drawn down which hedges the Company's interest rate exposure on bank loans. The bank loans are repayable in six monthly instalments commencing on 31st March 2009 and end on 15 May 2035. The facility is subject to certain financial and non-financial covenants.

Bank loans bear interest based on SONIA plus a SWAP spread of 4.95%. On the 1st of July 2022 the Company signed Agreement with its SWAP Providers to transition the floating interest rates from LIBOR (the London Interbank Offered Rate) to SONIA (Sterling Overnight Index Average). The SONIA rate will be determined five business days before the end of each calendar month. The transition commenced 1st of July 2022.

The index-linked subordinated unsecured loan stock issued to the Company bears interest at 10.30% and is redeemable on 31 March 2036. The subordinated debt is repayable in six monthly instalments which commence on 31 March 2009. The principal repayments are subject to indexation based upon RPI.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2022 £000	Assets 2021 £000
Balances:		
Deferred tax on revaluation of fair value derivatives	391	2,221
Tax losses	346	390
	<u>737</u>	<u>2,611</u>
		2022 £000
Movements in the year:		
Asset at 1 January 2022		(2,611)
Charge to profit or loss		69
Charge to other comprehensive income		1,830
Payments to HMRC		(25)
		<u>(737)</u>
Asset at 31 December 2022		<u>(737)</u>

BY EDUCATION (LEWISHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****17 Share capital**

	2022	2021	2022	2021
	Number	Number	£000	£000
Ordinary share capital				
Issued and fully paid				
1,000 (2021 - 1,000) Ordinary shares of £1 each of £1 each	1,000	1,000	1	1
	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18 Reserves

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

The profit and loss reserve represents cumulative profits or losses.

19 Related party transactions**Transactions with related parties**

During the year the company entered into the following transactions with related parties:

	Director fees		Subordinated debt	
	2022	2021	2022	2021
	£000	£000	£000	£000
InfraRed Infrastructure Yield Holdings Ltd	53	49	495	254
	<u>53</u>	<u>49</u>	<u>495</u>	<u>254</u>
Amounts due to related parties			2022	2021
			£000	£000
InfraRed Infrastructure Yield Holdings Ltd			2,567	2,195
			<u>2,567</u>	<u>2,195</u>

BY EDUCATION (LEWISHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Ultimate controlling party

The Company is a subsidiary undertaking of By Education (Lewisham) Holdings Limited which is incorporated in the United Kingdom. Registered office 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD.

BY Education Lewisham Ltd is a subsidiary of InfraRed Infrastructure Yield Holdings Limited incorporated in England and Wales, registered office 1 Bartholomew Close, Barts Square, London, EC1A 7BL.

InfraRed Capital Partners (Management) LLP incorporated in England and Wales, registered office 1 Bartholomew Close, Barts Square, London, EC1A 7BL, is the ultimate majority shareholder of By Education (Lewisham) Limited.

The smallest and largest 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 its registered office 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD.