

L21 Lewisham PSP Limited
Annual report and financial statements
for the year to 31 March 2015

Registered Number 06240697

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L21 Lewisham PSP Limited
Annual report and financial statements
for the year to 31 March 2015
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L21 Lewisham PSP Limited

Registered Number 06240697

Directors and advisors

Directors

A Handford
G Mills
D Ward
P Andrews
S Shah

Secretary

T Wood

Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Bankers

Barclays Bank Plc
1 Churchill Place
Level 27
London
E14 5HP

Registered Office

Costain House
Vanwall Business Park
Maidenhead
Berkshire
SL6 4UB

L21 Lewisham PSP Limited

Registered Number 06240697

Strategic report for the year to 31 March 2015

Principal activities and business review

The company is owned in equal shares by Costain Engineering & Construction Ltd and Babcock Project Investments Limited. The principal activities of the group are the design, construction, financing and operation of three Schools for the London Borough of Lewisham under the Private Finance Initiative ("PFI") over a period of 28 years. The group also manages the development of schools for The Mayor and Burgesses of London Borough of Lewisham ("LBL") within the Building Schools for the Future ("BSF") National Programme and the delivery of these schools via PFI and Design & Build ("D&B") projects over the next 5 years. The development costs incurred by the Lewisham Schools for the Future LEP Limited ("LEP") are recovered from the projects at the start of construction.

The group holds four investments for which it provides management services: Lewisham Schools for the Future Holdings Limited ("Hold Co"), Lewisham Schools for the Future Holdings 2 Limited ("Hold Co2"), Lewisham Schools for the Future Holdings 3 Limited ("Hold Co3") and Lewisham Schools for the Future Holdings 4 Limited ("Hold Co4")

Future development and performance of the business

All of the schools under the Building Schools for the Future programme were completed by May 2013.

Step Down

Step Down is a pre agreed process within the Lewisham BSF Projects and is defined in the relevant holding company's ("Holdco") Articles of Association. On Step Down date, all of the A and B Shares automatically convert to Ordinary Shares with equal value. The effect of this movement is that control of the relevant Holdco and SPV no longer rest with the LEP and they change from being treated as subsidiaries of the LEP to being investments of the LEP.

Step Down (continued)

The effect of Step Down on the shares is:

- that 5,100 issued Ordinary-A shares of £0.196078 each in the capital of the relevant Holdco be consolidated into 1,000 Ordinary shares of £1.00 each.
- that 4,900 issued Ordinary-B shares of £1.836735 each in the capital of the relevant Holdco be subdivided into 9,000 Ordinary shares of £1.00 each.

Following the Step Down date the company is no longer deemed to have control over these entities and therefore they are no longer consolidated in the group financial statements and are instead held as an investment.

Step Down follows 12 months after the end of construction when the lock in period expires.

Lewisham Schools for the Future Holdings 4 Limited reached Step Down on 7 May 2014. Step Down has occurred for Lewisham Schools for the Future Holdings Limited, Lewisham Schools for the Future Holdings 2 Limited and Lewisham Schools for the Future Holdings 3 Limited in a prior year.

Strategic report for the year to 31 March 2015 (continued)

Principal risks and uncertainties

The group is subject to certain risks during the development, construction and operational phases of the contract; these risks wherever possible have been mitigated by passing the risk down to sub-contractors.

Construction risk

The major construction risk is delay in completion of the construction works. The SPVs mitigate the risk of delay through the administering of Liquidated Ascertainable Damages ("LAD") as per the construction contract.

Liquidity Risk

The group has drawn down sufficient cash from the available loan facilities during the construction phases to meet its obligations to trade and other creditors, and the SPVs charge LBL a monthly unitary charge during the operational phases sufficient to meet the on-going obligations including debt service.

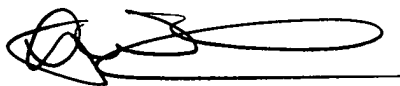
Credit risk

The group's main on-going creditors are the shareholders in respect of seconded staff and services and design, building and operating costs. SPV 3 and SPV 4's main customer during operations is LBL with which the group has a concession agreement. This concession agreement includes clauses whereby should a SPV not be paid by LBL then the SPV does not pay the relevant supplier for the services provided that company is the cause of the non-payment. The group therefore, does not consider its exposure to credit risk to be material.

Interest rate risk

In order to ensure stability of cash flows and hence manage interest rate risk, the group has a policy of maintaining all of its bank debt at a fixed rate.

By order of the Board



G Mills

Director

11 June 2015

L21 Lewisham PSP Limited

Registered Number 06240697

Directors' report for the year to 31 March 2015

The directors present their report and the audited financial statements of the group for the year to 31 March 2015.

Directors

The directors who held office during the year are given below:

| | |
|------------|---|
| S Barrett | (Alternate Director, Resigned 04 February 2015) |
| A Handford | |
| G Mills | |
| E Narey | (Resigned 17 April 2015) |
| P Palmer | (Resigned 17 April 2015) |
| L Sampson | (Alternate Director, Resigned 17 April 2015) |
| S Shah | (Appointed 17 April 2015) |
| D Ward | (Appointed 17 April 2015) |
| P Andrews | (Appointed 17 April 2015) |

Results and dividends

The group made a profit before minority interests of £322,000 (2014: £205,000) for the year. A final dividend of £105,000 was approved and paid in the year (2014: £Nil).

Directors' interest

According to the register of directors' interests, none of the directors had any beneficial interest in the share capital of the company or of any group company at the end of the year.

Directors' indemnity

The company's Articles of Association provide, subject to the provisions of the UK legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company. Appropriate directors' and officers' liability insurance cover is in place in respect of all of the company's directors.

Statement of directors' responsibilities in respect of the Report and the financial statements

The directors are responsible for preparing the strategic report and 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 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). The financial statements are required to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

L21 Lewisham PSP Limited

Registered Number 06240697

Directors' report for the year to 31 March 2015 (continued)

Disclosure of information to auditor

Each director at the date of the approval of the financial statements has confirmed:

- a) that so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- b) that they have taken steps that to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

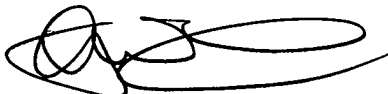
Independent auditor

The auditor, Mazars LLP, have indicated their willingness to continue in office.

Financial risks and future developments

These items are covered within the strategic report.

By order of the Board



G Mills

Director

((June 2015

Independent auditor's report to the members of L21 Lewisham PSP Limited

We have audited the financial statements of L21 Lewisham PSP Limited for the year to 31 March 2015, which comprise the consolidated profit and loss account, the consolidated balance sheet, the company's balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities 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 Ethical Standards for Auditors. 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.

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 web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

L21 Lewisham PSP Limited

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Independent auditor's report to the members of L21 Lewisham PSP Limited (continued)

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 parent company 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.



Jonathan Seaman (Senior Statutory Auditor)

For and behalf of Mazars LLP,
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

...16 June 2015

Consolidated Profit and Loss account for the year to 31 March 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|-------|----------------|---------------|
| Total turnover | 1 | 2,565 | 14,621 |
| Turnover – continuing operations | | 2,354 | 13,444 |
| Turnover – discontinued operations | | 211 | 1,177 |
| Cost of sales | 5 | (1,714) | (12,909) |
| Gross profit | 5 | 851 | 1,712 |
| Administrative expenses | 5 | (488) | (1,323) |
| Operating profit | 2 | 363 | 389 |
| Operating profit – continuing operations | | 338 | 271 |
| Operating profit – discontinued operations | | 25 | 118 |
| Interest receivable | 6 | 560 | 6,052 |
| Interest payable | 7 | (567) | (6,183) |
| Investment income | | 40 | 5 |
| Profit on ordinary activities before taxation | | 397 | 263 |
| Taxation | 8 | (76) | (58) |
| Profit on ordinary activities after taxation | | 321 | 205 |
| Minority interest | 19 | (62) | (164) |
| Profit for the year attributable to equity holders of the parent company | 18 | 259 | 41 |

The result relates to a single class of business conducted within the United Kingdom.

There were no material recognised gains and losses for the year other than the above.

The notes on pages 13 to 26 form part of these financial statements.

Consolidated Balance Sheet as at 31 March 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|--|-------|----------------|-----------------|
| Fixed Assets | | | |
| Investments | 10 | 41 | 16 |
| Tangible assets | 11 | 6 | 10 |
| | | <u>47</u> | <u>26</u> |
| Current assets | | | |
| Work in progress | 12 | - | - |
| Amounts recoverable on long-term contracts | 12 | - | - |
| Debtors: falling due within one year | 13 | 540 | 3,407 |
| Debtors: falling due after more than one year | 13 | 1,496 | 61,197 |
| Cash at bank and in hand | | 290 | 1,558 |
| Total current assets | | <u>2,326</u> | <u>66,162</u> |
| Creditors: amounts falling due within one year | 14 | <u>(508)</u> | <u>(4,310)</u> |
| Net current assets | | <u>1,818</u> | <u>61,852</u> |
| Total assets less current liabilities | | <u>1,865</u> | <u>61,878</u> |
| Creditors: amounts falling due after more than one year | 15 | <u>(1,493)</u> | <u>(61,470)</u> |
| Net assets | | <u>372</u> | <u>408</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 81 | 81 |
| Profit and loss account | 17 | 244 | 91 |
| Equity shareholders' funds | 18 | <u>325</u> | <u>172</u> |
| Minority interest | 19 | 47 | 236 |
| Capital employed | | <u>372</u> | <u>408</u> |

The financial statements on pages 8 to 26 were approved and authorised for issue by the board of directors on 10 June 2015 and signed on its behalf by:



G Mills
Director

L21 Lewisham PSP Limited

Registered Number 06240697

Company Balance Sheet as at 31 March 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|-------|----------------|----------------|
| Fixed assets | | | |
| Investment in subsidiary undertaking | 10 | <u>81</u> | <u>81</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 13 | 31 | 39 |
| Debtors: amounts falling due after more than one year | 13 | 1,194 | 1,225 |
| Cash at bank and in hand | | <u>1</u> | <u>45</u> |
| | | 1,226 | 1,309 |
| Creditors: amounts falling due within one year | 14 | <u>(31)</u> | <u>(93)</u> |
| Net current assets | | <u>1,195</u> | <u>1,216</u> |
| Total assets less current liabilities | | 1,277 | 1,297 |
| Creditors: amounts falling due after more than one year | 15 | <u>(1,194)</u> | <u>(1,225)</u> |
| Net assets | | <u>82</u> | <u>72</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 81 | 81 |
| Profit and loss account | 17 | <u>1</u> | <u>(9)</u> |
| Equity shareholders' funds | 18 | <u>82</u> | <u>72</u> |

The financial statements on pages 8 to 26 were approved and authorised for issue by the board of directors on 11 June 2015 and signed on its behalf by:



G Mills
Director

Consolidated Cash Flow Statement for the year to 31 March 2015

| | 2015 £'000 | 2015 £'000 | 2014 £'000 | 2014 £'000 |
|---|---------------|----------------|---------------|----------------|
| Net cash inflow from operating activities | | 397 | | 2,723 |
| Returns on investment and servicing of finance | | | | |
| Interest received | 560 | | 6,095 | |
| Interest paid | (567) | | (6,079) | |
| Dividends received | 40 | | 5 | |
| Dividend paid to minority shareholders | <u>(22)</u> | | <u>(39)</u> | |
| | | 11 | | (18) |
| UK corporation tax paid | | 1 | | (56) |
| Acquisition and disposals | | | | |
| Net cash transferred with subsidiary undertaking | | (1,576) | | (1,416) |
| Capital expenditure and financial investments | | | | |
| Increase in lending – subordinated debt loans | (493) | | (286) | |
| Payments to acquire tangible assets | <u>-</u> | | <u>(12)</u> | |
| | | (493) | | (298) |
| Equity dividend paid | | <u>(105)</u> | | <u>-</u> |
| Net cash inflow/(outflow) before financing | | (1,765) | | 935 |
| Financing | | | | |
| Decrease in borrowings – senior debt loans | - | | (2,772) | |
| Increase in borrowings – subordinated debt loans | 493 | | 91 | |
| Decrease in borrowing – working capital loan | - | | (300) | |
| Arrangement fees | <u>4</u> | | <u>-</u> | |
| | | 497 | | (2,981) |
| (Decrease)/increase in cash | | <u>(1,268)</u> | | <u>(2,046)</u> |

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Reconciliation of operating profit to net cash inflow from operating activities

| | 2015 | 2014 |
|--|--------------|-----------------|
| | £'000 | £'000 |
| Operating profit | 363 | 389 |
| Depreciation of tangible assets | 4 | 2 |
| Loan amortisation | 3 | 67 |
| Decrease in WIP and amounts recoverable on long-term contracts | - | 20,088 |
| (Decrease)/Increase in debtors | 451 | (17,188) |
| Decrease in creditors | (425) | (635) |
| Net cash (outflow)/inflow from operating activities | 397 | 2,723 |

Notes 20 and 21 form part of this cash flow statement.

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Notes to the financial statements for the year to 31 March 2015

1 Accounting policies

A summary of the principal accounting policies of the group and company, which have been applied consistently, is set out below.

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. They include the results of the activities described in the Directors' Report.

The directors have prepared the financial statements on a going concern basis having had regard to the contractual arrangements and financial projections associated with the Lewisham Building Schools for the Future project. The directors have concluded that the group has sufficient cash flows to enable it to meet its liabilities as they fall due.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2015. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition and up to the date of disposal.

Under section 408 of the companies Act 2006, the company is exempt from the requirement to present its own profit and loss account. The profit made in the accounts of the parent company is £116,000 (2014: £22,000).

Turnover and cost of sales

Turnover represents the value of works carried out on long-term contracts and services rendered in relation to construction of four PFI schools, two D&B schools and development activities in relation to new schools in the BSF programme. All turnover originates entirely in the United Kingdom and are stated exclusive of value added tax.

Cost of sales represents costs incurred in respect of services received in the period.

Depreciation

The cost or valuation of tangible fixed assets is depreciated over the expected life on a straight-line basis to residual values as follows:

| Asset class | Depreciation method |
|--------------------|----------------------------|
| Computer equipment | 3 years |

Investments

Fixed asset investments are shown at cost less provision for impairment.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

The deferred tax assets and liabilities are not discounted.

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Notes to the financial statements for the year to 31 March 2015 (continued)

1 Accounting policies (continued)

Long-term contracts

The group carries out development work for future schools in the programme on behalf of LBL under the Strategic Partnering Agreement. To the extent that it has not been reimbursed at the balance sheet date it is accounted for as work in progress in accordance with SSAP 9 and is stated at cost.

Amounts recoverable on long-term contracts

The costs incurred in respect of bid development, design, construction and finance costs during the period prior to availability of the facilities are accumulated within work in progress. When the facilities are available the accumulated work in progress balance will be transferred to finance receivable and recovered over the contract period on an annuity basis in accordance with FRS 5 (Application note F).

Capitalised interest and debt issue costs

Upfront finance and arrangement costs of procuring senior debt facilities are charged to the profit and loss on completion of the construction phase over the life of the relevant loans in accordance with FRS 4.

Interest incurred during the construction phase is capitalised and amortised over the period of concession.

2 Operating profit

Profit on ordinary activities before taxation is stated after charging:

| | 2015 | 2014 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Auditor's remuneration - audit of the company financial statements | 2 | 3 |
| Auditor's remuneration - audit of the subsidiary financial statements | 14 | 26 |
| Auditor's remuneration – tax compliance fees | 5 | 14 |
| | 21 | 43 |

3 Directors' remuneration

The directors received no remuneration from the company in the current or prior period.

4 Staff costs

The group and company had no employees throughout the year under review or in the prior year. Seconded employees are employed by certain related parties who provide management services and these are recharged to the group as part of the management services fees.

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Notes to the financial statements for the year to 31 March 2015 (continued)

5 Analysis of operations

| | 2015 | 2015 | 2015 | 2014 | 2014 | 2014 |
|-------------------------|-------------------|---------------------|--------------|-------------------|---------------------|---------------|
| | Continuing | Discontinued | Total | Continuing | Discontinued | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost of Sales | 1,571 | 143 | 1,714 | 12,159 | 750 | 12,909 |
| Gross Profit | 783 | 68 | 851 | 1,285 | 427 | 1,712 |
| Administration Expenses | 445 | 43 | 488 | 1,014 | 309 | 1,323 |

6 Interest receivable

| | 2015 | 2014 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Bank interest receivable | - | 4 |
| Other interest receivable (stepped-down investments) | 172 | 87 |
| Interest receivable on finance debtor | 388 | 5,961 |
| Interest receivable and similar income | 560 | 6,052 |

7 Interest payable

| | 2015 | 2014 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Bank interest payable on senior debt loan | 330 | 5,058 |
| Interest payable to shareholders of a group company | 233 | 1,050 |
| Interest payable to parent companies on subordinated debt loans | - | 8 |
| Other charges | 4 | 67 |
| Interest payable and similar charges | 567 | 6,183 |

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Notes to the financial statements for the year to 31 March 2015 (continued)

8 Taxation

| | 2015 £'000 | 2014 £'000 |
|---|---------------------------|---------------------------|
| Taxation on the profit for the year | | |
| Current tax: | | |
| UK corporation tax on profit for the year | 76 | 58 |
| Deferred tax: | | |
| Deferred tax charge | - | - |
| Tax on profit on ordinary activities | 76 | 58 |
| Factors affecting tax charge for the year | 2015 £'000 | 2014 £'000 |
| Profit on ordinary activities before tax | 398 | 263 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%) | 83 | 60 |
| Non-taxable income | (8) | (1) |
| Utilisation of tax losses generated in earlier years | 1 | (1) |
| Current tax charge for the year | 76 | 58 |
| Deferred tax | 2015 £'000 | 2014 £'000 |
| At 1 April 2014 | 10 | 10 |
| Charge to profit and loss account | (10) | - |
| At 31 March 2015 | - | 10 |
| The deferred tax asset comprises: | | |
| Losses carried forward | - | 10 |

A deferred tax asset has been recognised to the extent that the directors consider that it is more likely than not that sufficient taxable profits will be available in the future against which the deferred tax asset can be recovered.

Deferred tax rate

Deferred tax has been calculated at 20% which is the rate which has been enacted to apply from 1 April 2015.

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Notes to the financial statements for the year to 31 March 2015 (continued)

9 Dividends

| Group and company | 2015 £'000 | 2014 £'000 |
|-------------------|---------------|---------------|
|-------------------|---------------|---------------|

Amounts recognised as distributions to equity holders in the period:

| | | |
|--------------------------|----|---|
| 2014 final dividend paid | 40 | - |
|--------------------------|----|---|

10 Investments

| | Group | Company |
|-------------------------------------|-------------------------|------------------------|
| | £'000 | £'000 |
| | Unlisted Investments | Unlisted Subsidiary |
| At 1 April 2014 | 16 | 81 |
| Addition on Step Down (See note 23) | 25 | - |
| At 31 March 2015 | 41 | 81 |

Subsidiary

| Company | Country of Registration | Class of shares held | Proportion held | Nature of business |
|---|----------------------------|-------------------------|--------------------|--|
| Lewisham Schools for the Future LEP Limited | England and Wales | Ordinary shares | 80% | Operation of PFI SPV schools concession |

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Notes to the financial statements for the year to 31 March 2015 (continued)

Investments

| Company | Country of Registration | Class of shares held | Proportion held | Nature of business |
|---|--------------------------------|-----------------------------|------------------------|---|
| Lewisham Schools for the Future Holdings Limited | England and Wales | Ordinary shares | 8% | Holding company |
| Lewisham Schools for the Future SPV Limited | England and Wales | Ordinary shares | 8% | Operation of PFI SPV schools concession |
| Lewisham Schools for the Future Holdings 2 Limited | England and Wales | Ordinary shares | 8% | Holding company |
| Lewisham Schools for the Future SPV 2 Limited | England and Wales | Ordinary shares | 8% | Operation of PFI SPV schools concession |
| Lewisham Schools for the Future Holdings 3 Limited | England and Wales | Ordinary shares | 8% | Holding company |
| Lewisham Schools for the Future SPV 3 Limited | England and Wales | Ordinary shares | 8% | Operation of PFI SPV schools concession |
| Lewisham Schools for the Future Holdings 4 Limited* | England and Wales | Ordinary shares | 8% | Holding company |
| Lewisham Schools for the Future SPV 4 Limited* | England and Wales | Ordinary shares | 8% | Operation of PFI SPV schools concession |

Prior to the Step Down date the above companies were included in the consolidated financial statements because the group had control of the board or directors. Following Step Down the group no longer has control and therefore the companies can no longer be consolidated in the group financial statements.

11 Tangible assets

| Group | Computer equipment £'000 |
|-----------------------|--------------------------------|
| Cost | |
| At 1 April 2014 | 12 |
| Additions | - |
| At 31 March 2015 | <u>12</u> |
| Depreciation | |
| At 1 April 2014 | 2 |
| Charge for the year | 4 |
| At 31 March 2015 | <u>6</u> |
| Net book value | |
| At 31 March 2015 | <u>6</u> |
| At 1 April 2014 | <u>10</u> |

12 Amounts recoverable on long-term contracts

| | Group 2015 £'000 | Group 2014 £'000 |
|---|------------------------|------------------------|
| Amounts recoverable on long-term contracts | | |
| Balance at 1st April | - | 19,820 |
| Additions | - | 570 |
| Transfer to finance debtor receivable | - | (20,390) |
| Balance at 31 March | <u>-</u> | <u>-</u> |
| Total | <u>-</u> | <u>-</u> |

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13 Debtors

| | Group 2015 £'000 | Company 2015 £'000 | Group 2014 £'000 | Company 2014 £'000 |
|---|------------------------|--------------------------|------------------------|--------------------------|
| Amounts falling due within one year | | | | |
| Trade debtors | 417 | - | 1,165 | - |
| Finance debtor receivable | - | - | 1,870 | - |
| Amounts owed by stepped-down investments – subordinated debt loan and interest | 36 | - | 19 | - |
| Amounts owed by subsidiary undertakings | - | 31 | - | 29 |
| Deferred tax | - | - | 10 | 10 |
| Prepayments and accrued income | 87 | - | 343 | - |
| | <u>540</u> | <u>31</u> | <u>3,407</u> | <u>39</u> |

13 Debtors (continued)

| | Group 2015 £'000 | Company 2015 £'000 | Group 2014 £'000 | Company 2014 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Amounts falling due after more than one year | | | | |
| Amounts owed by subsidiary undertakings | - | 1,194 | - | 1,225 |
| Amounts owed by stepped-down investments – subordinated debt loan | 1,496 | - | 1,019 | - |
| Finance debtor receivable | - | - | 60,178 | - |
| | <u>1,496</u> | <u>1,194</u> | <u>61,197</u> | <u>1,225</u> |

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14 Creditors: amounts falling due within one year

| | Group 2015 £'000 | Company 2015 £'000 | Group 2014 £'000 | Company 2014 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Senior debt loan | - | - | 1,778 | - |
| Amount owed to parent undertakings – working capital loan interest | - | - | 57 | 57 |
| Amount owed to parent undertakings – subordinated debt loan | 38 | 31 | 183 | 29 |
| Trade creditors | 190 | - | 1,580 | - |
| Retention bond | - | - | 29 | - |
| Corporation tax liability | 66 | - | 45 | - |
| VAT payable | 48 | - | 138 | - |
| Amounts due to related party (construction accruals) | - | - | 219 | - |
| Accruals | 166 | - | 281 | 7 |
| | 508 | 31 | 4,310 | 93 |

15 Creditors: amounts falling due after more than one year

| | Group 2015 £'000 | Company 2015 £'000 | Group 2014 £'000 | Company 2014 £'000 |
|---|------------------------|--------------------------|------------------------|--------------------------|
| Senior debt loan | - | - | 55,868 | - |
| Un-amortised facility arrangement fees | - | - | (543) | - |
| Amount owed to parent undertakings – subordinated debt loan | 1,493 | 1,194 | 6,145 | 1,225 |
| | 1,493 | 1,194 | 61,470 | 1,225 |

Maturity analysis of debt

| | Group 2015 £'000 | Group 2014 £'000 |
|--|------------------------|------------------------|
| Repayable within one year | 38 | 1,961 |
| Repayable between two and five years | 148 | 7,535 |
| Repayable after five years | 1,345 | 54,478 |
| Un-amortised facility arrangement fees | - | (543) |
| Total loans outstanding | 1,531 | 63,431 |

Subordinated debt – Loan notes

The note holders (including the parent undertakings) have agreed with the group to subscribe for loan notes for each of the HoldCo's (including those now in step down) and have agreed to pay the nominal value of the loan notes, on the terms set out in the subscription agreements and in accordance with the loan note instruments. The principal is repaid over the concession periods with interest at the rate of 11.5%.

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Notes to the financial statements for the year to 31 March 2015 (continued)

16 Share capital

| Group and company | 2015 £'000 | 2014 £'000 |
|---|-----------------------|-----------------------|
| Allotted, called up and fully paid | | |
| 80,800 ordinary shares of £1 each | <u>81</u> | <u>81</u> |

17 Reserves

| Profit and loss account | Group 2015 £'000 | Company 2015 £'000 | Group 2014 £'000 | Company 2014 £'000 |
|--------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| At 1 April | 91 | (9) | 50 | (31) |
| Profit for the year | 258 | 116 | 41 | 22 |
| Dividend paid | (105) | (105) | - | - |
| At 31 March | <u>244</u> | <u>1</u> | <u>91</u> | <u>(9)</u> |

18 Net equity shareholders' funds

| | Group 2015 £'000 | Company 2015 £'000 | Group 2014 £'000 | Company 2014 £'000 |
|---------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| At 1 April | 172 | 72 | 131 | 50 |
| Profit for the year | 258 | 116 | 41 | 22 |
| Dividend paid | (105) | (105) | - | - |
| At 31 March | <u>325</u> | <u>82</u> | <u>172</u> | <u>72</u> |

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19 Minority interest

| | Group 2015 £'000 | Group 2014 £'000 |
|---------------------|---------------------------------|---------------------------------|
| At 1 April | 236 | 120 |
| Profit for the year | 62 | 164 |
| Disposal | (229) | (9) |
| Dividend paid | (22) | (39) |
| At 31 March | 47 | 236 |

20 Reconciliation of net cash flow to movement in net debt

| | 2015 £'000 | 2014 £'000 |
|---|-----------------------|-----------------------|
| Decrease in cash | (1,268) | (2,046) |
| Increase/(decrease) in term loans | (497) | 2,981 |
| Movement in net debt resulting from cash flows | (1,765) | 935 |
| Loans disposed with subsidiary | 62,400 | 33,129 |
| Non cash movements | (3) | (67) |
| Movement in net debt in the period | 60,632 | 33,997 |
| Opening net debt at 1 April | (61,873) | (95,870) |
| Closing net debt at 31 March | (1,241) | (61,873) |

21 Analysis of changes in net debt

| | At 1 April 2014 £'000 | Cash flow £'000 | Disposals £'000 | Non-cash movements £'000 | At 31 March 2015 £'000 |
|-------------------------------|--------------------------------------|----------------------------|----------------------------|---|---------------------------------------|
| Cash in hand and at bank | 1,558 | (1,268) | - | - | 290 |
| Subordinated debt loans | (6,328) | (493) | 5,290 | - | (1,531) |
| Senior debt loans | (57,646) | - | 57,646 | - | - |
| Un-amortised arrangement fees | 543 | (4) | (536) | (3) | - |
| Total | (61,873) | (1,765) | 62,400 | (3) | (1,241) |

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Notes to the financial statements for the year to 31 March 2015 (continued)

22 Related party disclosures

The following companies, together with undertakings within their individual group of companies, are considered to be related parties to the group, as defined in FRS 8.

- Building Schools for the Future Investments LLP – Investor in the LEP and Lewisham Schools for the Future Holdings 3 Limited.
- The Mayor and Burgesses of the London Borough of Lewisham – Investor in the LEP, Lewisham Schools for the Future Holdings 3 Limited and Lewisham Schools for the Future Holdings 4 Limited.
- Costain Group PLC – Joint Venture partner in L21 Lewisham PSP Limited.
- Babcock International Group PLC – Joint Venture partner in L21 Lewisham PSP Limited.

The following companies were related parties until Step Down took place on 7 May 2014 when the percentage shareholding was reduced from 40.8% to 8%. Profit and loss related transactions are for the whole of the financial year.

- Lewisham Schools for the Future SPV 4 Limited.
- Lewisham Schools for the Future Holdings 4 Limited.

Profit & Loss Related Party transactions for the year to 31 March 2015

| Related party | Description | 2015 | 2014 |
|---|---------------------|----------------------|----------------------|
| | | £'000 | £'000 |
| Related party | Description | Expenditure (income) | Expenditure (income) |
| Babcock Education and Skills Limited | Sales | (63) | (62) |
| Babcock Education and Skills Limited | Purchases | 2,433 | 4,330 |
| Babcock Project Investments Limited | Purchases | 17 | 46 |
| Babcock Project Investments Limited | Interest payable | 289 | 426 |
| Costain Limited | Purchases | 916 | 9,411 |
| Costain Limited | Sales | (5) | (8) |
| Costain Engineering & Construction Ltd | Interest payable | 181 | 426 |
| Lewisham Schools for the Future SPV 3 Limited | Sales | - | (172) |
| Lewisham Schools for the Future Holdings 3 Limited | Interest receivable | - | (35) |
| Lewisham Schools for the Future SPV 4 Limited | Sales | (219) | (172) |
| Lewisham Schools for the Future Holdings 4 Limited | Interest receivable | (60) | (35) |
| London Borough of Lewisham | Sales | (9,690) | (23,105) |
| London Borough of Lewisham | Purchases | 5 | 14 |
| The Mayor and Burgesses of the London Borough of Lewisham | Interest payable | 133 | 169 |
| The Mayor and Burgesses of the London Borough of Lewisham | Purchases | 17 | - |
| Building Schools for the Future Investments LLP | Purchases | - | 4 |
| Building Schools for the Future Investments LLP | Interest payable | - | 44 |

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Notes to the financial statements for the year to 31 March 2015 (continued)

22 Related party disclosures (continued)

Balance Sheet Related Party transactions for the year ending 31 March 2015

| | | 2015 £'000 | 2014 £'000 |
|---|--------------------|--------------------------------|--------------------------------|
| Related party | Description | Debtors (Creditors) | Debtors (Creditors) |
| Costain Limited | Trade debtor | 157 | - |
| Costain Limited | Accruals | - | (7) |
| Costain Limited | Trade creditor | - | (476) |
| Costain Engineering & Construction Ltd | Loans and interest | (613) | (2,559) |
| Babcock Education and Skills Limited | Trade creditor | - | (864) |
| Babcock Education and Skills Limited | Trade debtor | 13 | - |
| Babcock Project Investments Limited | Loans and interest | (102) | (2,559) |
| The Mayor and Burgesses of the London Borough of Lewisham | Loan and interest | (204) | (1,162) |
| London Borough of Lewisham | Trade debtor | 303 | 1,090 |
| Building Schools for the Future Investments LLP | Loan and interest | (104) | (104) |

The directors are confident that all transactions with related parties were carried out at arm's length.

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Notes to the financial statements for the year to 31 March 2015 (continued)

23 Disposal of subsidiary

Step Down is a pre agreed process within the Lewisham BSF Projects and is defined in the relevant holding company's ("Holdco") Articles of Association. On Step Down date, all of the A and B Shares automatically convert to Ordinary Shares with equal par value. The effect of this movement is that control of the relevant Holdco and SPV no longer rests with the LEP and they change from being treated as subsidiaries of the LEP to being investments of the LEP. The effect of Step Down on the shares is:

- that 5,100 issued Ordinary-A shares of £0.196078 each in the capital of the relevant Holdco be consolidated into 1,000 Ordinary shares of £1.00 each.
- that 4,900 issued Ordinary-B shares of £1.836735 each in the capital of the relevant Holdco be subdivided into 9,000 Ordinary shares of £1.00 each.

The Step Down occurred for Lewisham Schools for the Future Holdings 4 Limited on the 7 May 2014. Following the Step Down date the Company is no longer deemed to have control over this entity and therefore it is no longer consolidated in the Group financial statements, and is instead held as an investment.

As a result the assets and liabilities disposed from the group at this date were:

| | £'000 |
|---|-----------------|
| Debtors | 62,599 |
| Cash | 1,576 |
| Creditors | <u>(63,922)</u> |
| Total | <u>253</u> |
| Net Assets retained – 10% holding after Step Down | <u>25</u> |

24 Parent undertakings and ultimate controlling party

In the directors' opinion, as L21 Lewisham PSP Limited is a joint venture owned equally between Costain Construction and Engineering Limited and Babcock Project Investments Limited, there is no ultimate controlling party.