Greenwich BSF SPV Limited

Directors' report and financial statements

For the year ended 31 March 2012

Company registration number:
07050833

The directors present their report and the audited financial statements of the company for the year ended 31 March 2012

Principal activities

Greenwich BSF SPV Limited was incorporated on 20 October 2009 It is a wholly owned subsidiary of Greenwich BSF Holdco Limited The principal activities of the company are the design, construction, financing and operation of Crown Woods College and Thomas Tallis School for the Royal Borough of Greenwich (formerly London Borough of Greenwich) under the Building Schools for the Future Private Finance Initiative programme over a period of 27 years

Business review and future developments

During the financial year the company achieved service availability for both Phase 1 and Phase 2 for Crown Woods College and Phase 1 for Thomas Tallis School The schools became operational in phases in line with the completion of the relevant construction milestones and therefore the company had a mixture of construction and operational activity during the year Phase 2 on Thomas Tallis School was achieved subsequent to year end as planned on 13 June 2012 Both schools are now fully operational During the transitional phase all attributable expenditure related to construction, including a proportion of net finance costs, has been included in the cost of the finance asset with operational costs expensed to the profit and loss account The finance asset will be amortised over the remaining life of the project

Principal risks and uncertainties

The company is subject to certain risks during both the construction and operational phase of the contract These risks, wherever possible, have been mitigated by passing the risk down to sub-contractors

Construction Risk
As service availability on both schools has now been achieved there is no longer any Construction Risk arising from delay in the program As there is also a retention bond from the building contractor in place through to 12 months from the final service availability date the company is further protected in the event of any post completion issues with construction

Credit risk
The company's sole customer is the Royal Borough of Greenwich ("RBG") with which the company has a concession agreement If RBG disputes the entitlement of the company to any amount claimed and withholds payment then, as all operational activity is subcontracted, the company can withhold payment of the disputed amount from the supplier provided that supplier is the cause of the non payment The company, therefore, does not consider its exposure to credit risk to be material

Liquidity risk
The company has been drawing down sufficient cash monthly from the available loan facilities during the construction period to ensure that it is able to meet its obligations to trade creditors and other liabilities During the operational phase the company charges RBG a monthly unitary charge that is sufficient to meet the on-going obligations including debt service

Interest rate risk
The company has entered into interest rate swaps, the purpose of which is to manage the interest rate risk arising from its borrowings Full details are outlined in Note 11

Going concern

The company meets its day to day working capital requirements through the cash flows generated from the monthly charges to the customer The company's forecasts and projections taking account of reasonably possible changes in trading performance show that the company should be able to meet all of its liabilities as they fall due

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

Results and dividends

The company made a profit for the year of £278,000 (17 month period ended March 2011 £Nil) The directors do not recommend a dividend for the year ended 31 March 2012 (17 month period ended March 2011 £Nil)

Directors of the company

The directors who held office during the period and up to the date of signing the financial statements were as follows

Elizabeth Agnes Narey
Geoffrey Allan Jackson
Geoffrey Brian Shields
Steven Landrey

Directors' liabilities

Liability insurance was provided during the period to each director by their relevant employing company

Key performance indicators

The key performance indicators of the company are client and financially focused, including those listed below

- Construction progress
- Cashflow

The board of directors meet on a regular basis and, together with the company's technical advisors, monitor construction progress and determine whether the contract is on target to meet the planned Service Availability Dates for each of the schools Phase 1 and Phase 2 service availability at Crown Woods College were achieved on time and as planned on 26 April 2011 and 23 January 2012 respectively Although Phase 1 service availability at Thomas Tallis School was achieved 3 days late on 2 November 2011 (with the delay costs borne by the building contractor), Phase 2 service availability has been achieved as planned on 13 June 2012

The company has loan facilities from a banking syndicate and draw downs have been managed each month to ensure that the company has sufficient funds to meet the construction costs payable whilst ensuring that the company does not have too much exposure to senior debt

Following the start of the operational phase of the contract the customer has been invoiced promptly in accordance with the terms of the contract Payment for these invoices has generally been in line or better than the contractual requirements and has not resulted in any long outstanding overdue receivables

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, where these are not contractually specified in the project documents, to ensure that all suppliers are made aware of the terms of payment and to abide by these terms Trade creditor days of the company as at 31 March 2012 were 22 days (2011 23 days)

Statement of directors' responsibilities in respect of the annual report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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

Auditors and the disclosure of information

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

On behalf of the Board

Geoffrey Allan Jackson
Director

17 September 2012

Independent auditors' report to the members of Greenwich BSF SPV Limited

We have audited the financial statements of Greenwich BSF SPV Limited for the year ended 31 March 2012 which comprise the profit and loss account, the balance sheet, the 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 auditors

As explained more fully in the directors' responsibilities statement on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit and its cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Michael Coffin (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton, United Kingdom

18 September 2012

	Notes	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Turnover	2	**19,686**	92,342
Cost of sales		**(19,313)**	(92,342)
Gross profit		**373**	-
Administrative expenses		**(277)**	-
Operating profit		**96**	-
Interest payable and similar charges	4	**(4,810)**	-
Interest receivable and similar income	3	**5,090**	-
Profit on ordinary activities before taxation	5	**376**	-
Tax on profit on ordinary activities	8	**(98)**	-
Profit for the financial period	13	**278**	-

There is no difference between the profit on ordinary activities before taxation and the profit for the financial periods stated above and their historical cost equivalents

There were no other recognised gains or losses aside from those in the results above and therefore no separate statement of total recognised gains and losses has been presented

The result relates solely to continuing activities in a single class of business conducted within the United Kingdom

Balance sheet as at 31 March 2012

	Notes	2012 £'000	2011 £'000
Current assets			
Debtors – due within one year	9	**5,180**	10,049
Debtors – due after more than one year	9	**104,359**	83,266
Cash at bank and in hand		**3,172**	926
Total current assets		**112,711**	94,241
Creditors – amounts due within one year	10	**(15,641)**	(4,193)
Net current assets		**97,070**	90,048
Creditors – amounts due after more than one year	11	**(96,742)**	(89,998)
Net assets		**328**	50
Capital and reserves			
Called-up share capital	12	**50**	50
Profit and loss account	13	**278**	-
Total shareholder's funds	13	**328**	50

The financial statements on pages 6 to 16 were approved by the board of directors and signed on its behalf by

Geoffrey Allan Jackson
Director

17 September 2012

	Notes	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Net cash outflow from operating activities	14	**(9,457)**	(83,325)
Returns on investments and servicing of finance			
Interest paid		**(4,138)**	(3,099)
Arrangement and commitment fees paid	16	**(160)**	(4,153)
Interest received		**4**	6
		(4,294)	(7,246)
Net cash outflow before financing		**(13,751)**	(90,571)
Financing			
Increase in borrowings – Term Loan	16	**15,997**	78,531
Increase in borrowings – Equity Bridge Loan		**-**	12,916
Issue of ordinary share capital		**-**	50
		15,997	91,497
Increase in cash	15	**2,246**	926

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The financial statements have been prepared on a going concern basis as the company's financial projections indicate that sufficient funds will be generated to allow on-going obligations to be met as they fall due

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 debtor receivable and recovered over the contract period on an annuity basis in accordance with FRS5 (Application note F)

Turnover

Turnover during the construction period represents the costs capitalised during construction During the operational period turnover represents the amounts due from the customer in respect of the activities undertaken as described in the directors' report The customer pays a monthly fee to the company for the services provided (the Unitary Payment), which is allocated between turnover, interest receivable on the finance debtor and reimbursement of the finance debtor so as to generate a constant return in respect of the finance debtor over the life of the contract Turnover reflects recharges for services provided, lifecycle costs and all operating costs plus an appropriate margin apportioned to these costs

The margin applied is calculated on an annual basis and derived from the operational model which is updated at the end of each year based on the actual costs incurred to date The margin is calculated as the total income forecast to be receivable over the life of the project less all service costs, life cycle costs and other operating costs forecast to be payable over the life of the project

Turnover originates entirely in the United Kingdom and is stated exclusive of value added tax

Cost of sales represents costs incurred in respect of services delivered in the period

Capitalised interest and loan arrangements

Upfront finance and arrangement costs of procuring senior debt facilities are capitalised and in accordance with FRS4 are charged to the profit and loss account on completion of the construction phase over the life of the relevant loans Upfront finance and arrangement costs related to the procurement of the equity bridge loan facility are capitalised and charged to work in progress over the life of the facility

Interest incurred or received during the construction phase is capitalised up to the achievement of key phase milestones and thereafter an appropriate proportion of the interest incurred or received, based on the percentage of construction completed to that point and estimated by the billing percentage specified in the contract, is capitalised with the balance being expensed to the profit and loss account Capitalised interest is amortised over the remaining life of the project

1. Accounting policies (continued)

Derivative financial instruments

The company uses hedging agreements in the form of Sterling interest rate swaps to limit its exposure to interest rate fluctuations Greenwich BSF SPV Limited has hedged all of its borrowings against LIBOR The effect of the hedge is to fix the borrowing rate at 4 495% for the term loan until 31 January 2036

2. Turnover

Turnover is entirely attributable to the United Kingdom market and is analysed as follows

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Construction expenditure (excluding capitalised interest)	**15,003**	86,545
Amortised debt cost	**232**	663
Capitalised interest	**2,628**	5,134
Revenue from operational activities	**1,823**	-
	19,686	92,342

3. Interest receivable and similar income

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Bank interest	**4**	6
Interest receivable on finance debtor	**5,090**	-
Transferred to amounts recoverable on long-term contracts	**(4)**	(6)
	5,090	-

4. Interest payable and similar charges

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Interest payable on bank loans	**(7,442)**	(5,140)
Amortisation of issue costs on bank loans	**(232)**	(663)
Transferred to amounts recoverable on long-term contracts	**2,864**	5,803
	(4,810)	-

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Auditors' remuneration - audit fees	**13**	15

6. Staff costs

The company has no employees Management and administrative services are provided by a related party and these costs are recharged to the company as part of the management services fee

7. Directors' remuneration

The directors received no remuneration from the company during the year

8. Tax on profit on ordinary activities

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Current tax		
UK corporation tax on profits of the financial period	98	-
Total current tax charge	98	-

The tax assessed for the year is the same (2011 same) as the standard effective rate of corporation tax in the UK for the year ended 31 March 2012 of 26% (2011 28%) There are no differences as shown below

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Profit on ordinary activities before tax	376	-
Tax on profit on ordinary activities at standard UK corporation tax rate of 26% (2011 28%)	98	-
Current tax charged for the year	98	-

Factors affecting current and future tax charges

The Finance Act 2011 was substantively enacted on 19 July 2011 and included legislation to reduce the main rate of corporation tax from 28% to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012 This was reduced further to 24% with effect from 1 April 2012 via a Parliamentary Resolution passed on 26 March 2012

The March 2012 Budget Statement also announced an intention to continue to reduce the main rate of corporation tax by 1% per annum to 22% by 1 April 2014 These changes had not been substantively enacted at the balance sheet date and, therefore, the effects of these are not included in these financial statements

9. Debtors

	2012 £'000	2011 £'000
Due within one year:		
Trade debtors	**12**	-
Amounts recoverable on long-term contracts	**3,306**	9,076
Prepayments, other debtors and accrued income	**256**	294
Finance debtor receivable	**1,606**	-
Other debtors	**-**	679
	5,180	10,049
Due within more than one year:		
Amounts recoverable on long-term contracts	**-**	83,266
Finance debtor receivable	**104,359**	-
	104,359	83,266

Long-term contracts analysis of work in progress	2012 £'000	2011 £'000
At 1 April 2011 / on incorporation 20 October 2009	**92,342**	-
Additions	**15,003**	86,545
Interest receivable capitalised	**(4)**	(6)
Interest payable capitalised	**2,864**	5,803
Transfer to finance debtor receivable	**(106,899)**	-
	3,306	92,342
Analysed.		
Amounts recoverable on long-term contracts due within one year	**3,306**	9,076
Amounts recoverable on long-term contracts due after one year	**-**	83,266
	3,306	92,342

10. Creditors - amounts due within one year

	2012 £'000	2011 £'000
Trade creditors	**1,139**	4,020
Amounts owed to related parties	**24**	40
Other creditors	**14**	-
Accruals and deferred income	**62**	133
UK corporation tax payable	**98**	-
VAT	**202**	-
Bank loans – Term loans	**1,186**	-
Bank loans – Equity bridge loan	**12,916**	-
	15,641	4,193

11. Creditors - amounts due after more than one year

	2012 £'000	2011 £'000
Unitary charge control account	**1,473**	-
Bank loans – Term loans	**98,687**	80,572
Bank loans – Equity bridge loan	**-**	12,916
Unamortised facility arrangement fees	**(3,418)**	(3,490)
	96,742	89,998

	2012 £'000	2011 £'000
In one year or less, or on demand	**14,102**	-
In more than one year, but not more than two years	**3,066**	14,102
In more than two years, but not more than five years	**9,690**	9,228
In more than five years	**85,931**	70,158
Unamortised facility arrangement fees	**(3,418)**	(3,490)
Total loans outstanding	**109,371**	89,998

Term loans

There are two loan facilities from a banking syndicate being a Term Loan and an Equity Bridge Loan The Term Loan is being drawn down as required over the period from 9 December 2009 to 11 July 2012 The Equity Bridge Loan was drawn down in full on 9 December 2009 The tenure of the Term Loan is 26 years and 2 months and is repayable in 48 semi-annual instalments commencing 30 September 2012 Interest charged on amounts drawn under both facilities is based on the floating LIBOR rate and is being capitalised into the Term Loan balance during the facility availability period through to 11 July 2012

All amounts drawn under the facilities are secured by a fixed charge over all freehold and leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets

The parent company shareholders subscribed £12,916,000 on 11 June 2012 for Loan Notes issued by the parent company (Holdco) Holdco has subsequently loaned this amount to the SPV for the settlement of the Equity Bridge Loan which was repaid on 11 July 2012 The loan notes and the associated on-loan bear interest at 11% per annum and are repayable in semi-annual instalments from 31 March 2013

As at 31 March 2012 £99,873,224 (2011 £80,571,546) has been drawn under the Term Loan facility and £12,915,999 (2011 £12,915,999) under the Equity Bridge Loan facility

Financial derivatives

The company has entered into interest rate swap contracts with RBS, Lloyds Bank and Barclays to hedge its exposure to fluctuations in interest rates The effect of the interest rate swap is that the company pays a fixed rate of interest of 4 495% per annum on its term loans from 4 December 2009 to 31 January 2036 Receipts and payments on interest rate instruments are recognised on an accruals basis, over the life of the instrument

The notional principal amount of the interest rate swaps as at 31 March 2012 is £113,281,210 (2011 £101,990,962) and the interest rate swaps mature on 31 January 2036 The fair value of the interest rate swaps as at 31 March 2012 gives rise to a potential liability of £20,160,208 (2011 £6,237,700)

12. Called-up share capital

	2012 £'000	2011 £'000
Allotted, issued and fully paid		
50,000 ordinary shares of £1 each	**50**	50

13. Reconciliation of movement in shareholders' funds and reserves

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2011	50	-	50
Profit for the year	-	278	278
At 31 March 2012	**50**	**278**	**328**

14. Reconciliation of operating profit to net cash flow from operating activities

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Operating profit	**96**	-
Increase in receivables	**(14,298)**	(87,518)
Increase in creditors	**4,745**	4,193
Net cash outflow from operating activities	**(9,457)**	(83,325)

15. Reconciliation of net cash flow to movement in net debt

	Year ended March 2012 £'000	17 month period ended March 2011 £'000
Increase in cash in financial period	**2,246**	926
Cash flows from changes in net debt	**(15,837)**	(87,294)
Movement in net debt resulting from cash flows	**(13,591)**	(86,368)
Amortisation of arrangement and commitment fees	**(232)**	(663)
Interest capitalised into Term Loan	**(3,304)**	(2,041)
	(3,536)	(2,704)
Movement in net debt	**(17,127)**	(89,072)
Opening net debt	**(89,072)**	-
Closing net debt (note 16)	**(106,199)**	(89,072)

16. Analysis of net debt

	At 1 April 2011 £'000	Cash flow £'000	Other non-cash items £'000	At 31 March 2012 £'000
Cash at bank and in hand	926	2,246	-	**3,172**
Debt due within and after one year (note 11)	(89,998)	(15,837)	(3,536)	**(109,371)**
Total	(89,072)	(13,591)	(3,536)	**(106,199)**

Non-cash items consist of amortisation of arrangement and commitment fees £232,000 (2011 £663,000) and interest capitalised into Term Loan £3,304,000 (2011 £2,041,000)

17. Financial commitments

Capital commitments

Due to the nature of the contract between the company and the Royal Borough of Greenwich (formerly London Borough of Greenwich) dated 4 December 2009, the company is committed to payments of £100 million in respect of design and construction from 4 December 2009 through to 13 June 2012 to the building sub-contractor At 31 March 2012 £97 8m (2011 £80 7m) of the capital commitment has already been paid

18. Related party disclosures

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

Babcock International Group PLC
Equitix Fund I LP

Profit and loss related party transactions for the year ended 31 March 2012		**Year ended March 2012 £'000**	17 month period ended March 2011 £'000
Purchases of goods and services	**Description**	**Expenditure/ (receipt**	Expenditure/ (receipt)
Babcock Education and Skills Limited	Development Cost	-	529
Babcock Education and Skills Limited	Management Services	**248**	709
Babcock Project Investments Limited	Letter of Credit	-	337
Equitix GP1 Limited	Letter of Credit	-	337

Balance sheet related party transactions as at 31 March 2012		**2012 £'000**	2011 £'000 (restated)
Amount outstanding at period end	**Description**	**Debtor / (Creditor)**	Debtor / (Creditor)
Babcock Education and Skills Limited	Management Services	**(24)**	(40)

19. Ultimate parent undertaking

The directors regard Greenwich BSF Holdco Limited as the immediate parent undertaking

In the directors' opinion, as Greenwich BSF Holdco Limited is a joint venture owned equally by Babcock Project Investments Limited and Equitix Education Limited, there is no ultimate controlling party

Equitix Education Limited's ultimate controlling party is Equitix Fund I LP, an English limited partnership The largest and smallest group in which its results are consolidated is Equitix Capital Eurobond Limited The consolidated financial statements are available to the public from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ

Babcock Project Investments Limited's ultimate controlling party is Babcock International Group PLC The consolidated financial statements are available to the public at the company's registered office of 33 Wigmore Street, London, W1U 1QX