Company Registration No. NI056451

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BANGOR AND NENDRUM SCHOOLS SERVICES HOLDINGS LIMITED

Directors' Report and Financial Statements

Year ended 31 December 2011

BANGOR AND NENDRUM SCHOOLS SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W F P Cheevers
M Rawlinson
J C Barber
P Veerapen
BIIF Corporate Services Limited

REGISTERED OFFICE

c/o Cleaver Fulton Rankin
50 Bedford Street
Belfast
BT2 7FW
N Ireland

BANKERS

HSBC
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

SOLICITORS

McGrigors Belfast
2 Donegall Square East
Belfast
BT1 5HB

AUDITOR

Baker Tilly UK Audit LLP
Hartwell House
55 - 61 Victoria Street
Bristol
BS1 6AD

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of a holding company to Bangor and Nendrum Schools Services Limited. The principal activity of that subsidiary is the design, construction, financing, operation and maintenance of two secondary schools under a Government Private Finance Initiative (PFI) program for the benefit of the South Eastern Education and Library Board.

The construction of both schools was completed in 2008 and Nendrum College was handed over on 29 February 2008 and Bangor Academy and Sixth Form College was handed over on 30 April 2008. The contract has now entered the 30 year service delivery period which lasts until 2038.

DIRECTORS

The directors who served during the period were as follows:

- W F P Cheevers
- M Rawlinson
- M Reicherter — Resigned 16 November 2011
- J C Barber
- P Veerapen
- BIIF Corporate Services Limited — Appointed 16 November 2011

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITOR

Baker Tilly UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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

Approved by the Board and signed on its behalf by:

M Rawlinson

Director

Date 30 March 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group 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 group and company and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent; and
- prepare the group and parent company 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANGOR AND NENDRUM SCHOOLS SERVICES HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 13. 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).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 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 other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, 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; 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.

Baker Tilly UK Audit LLP

Andrew Allchin FCA (Senior Statutory Auditor)
for and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House, 55 – 61 Victoria Street,
Bristol, BS1 6AD
Date: 12/04/2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2011

	Note	2011 £	2010 £
TURNOVER		1,070,176	1,428,333
Cost of sales		(816,746)	(1,149,934)
GROSS PROFIT		253,430	278,399
Administrative expenses		(245,661)	(283,824)
OPERATING PROFIT / (LOSS)		7,769	(5,425)
Interest receivable and similar income	2	2,373,556	2,398,709
Interest payable and similar charges	3	(2,298,995)	(2,355,052)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	82,329	38,232
Taxation on profit on ordinary activities	5	(16,669)	(8,029)
PROFIT FOR THE FINANCIAL YEAR	11,12	65,661	30,203

All results above relate entirely to continuing operations.

There are no gains or losses for the current or preceding years other than the profits as stated above. Accordingly no statement of total recognised gains and losses has been presented.

BALANCE SHEETS
for the year ended 31 December 2011

	Note	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
FIXED ASSETS					
Investment in subsidiary undertakings	6	-	-	154,642	154,642
CURRENT ASSETS					
Debtors: due within one year	7	643,557	566,365	-	-
Debtors: due after more than one year	7	37,070,937	37,618,067	-	-
Cash at bank and in hand		1,489,282	1,407,400	-	-
		39,203,776	35,951,832	-	-
CREDITORS: amounts falling due within one year	8	(3,426,545)	(2,857,806)		-
NET CURRENT ASSETS		35,777,231	36,734,026	-	-
CREDITORS: amounts falling due after more than one year	9	(35,591,609)	(36,564,065)		-
NET ASSETS		185,622	169,961	154,642	154,642
CAPITAL AND RESERVES					
Called up share capital	10	154,642	154,642	154,642	154,642
Profit and loss account	11	30,980	15,319	-	-
SHAREHOLDERS' FUNDS	12	185,622	169,961	154,642	154,642

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

These financial statements were approved and authorised for issue by the Board of Directors on 30 March 2012 and were signed on its behalf by:

M Rawlinson

Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently throughout the current and preceding year, is set out below.

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.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The Group's business activities are detailed in the Directors' Report. The Directors have reviewed the budget for the foreseeable future, and have considered the projected cash flows based on the contractual receipts and payments of cash. They project that the loan covenant terms will be met for the foreseeable future. Having considered the risks and uncertainties of the business, their projections for the future performance of the Group, and the current uncertain economic environment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Cash Flow Statement

The Company meets the size criteria for a small company set by the Companies Act 2006 and, therefore, in accordance with FRS 1, 'Cash flow statements', it has not prepared a cash flow statement.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover and long term contracts

The project agreement with the South Eastern Education and Library Board provides for the charging of a unitary fee from the date the schools are made available until the end of the service delivery agreement. The unitary fee is fixed subject to performance and inflation indexation.

During the construction phase, construction costs incurred are recorded as cost of sales. Turnover is also recognised in relation to the construction work performed but no profit on construction is recognised. The turnover recognised is included within the 'financial asset' described below. If construction costs are forecast to exceed amounts which can be subsequently recovered, a loss is recognised as soon as this is foreseen.

Amounts recoverable on long-term contracts, which are included in debtors, represent future amounts due over the life of the service delivery contract for the fair value of the construction work on the schools. This financial asset comprises the construction turnover recognised up to the balance sheet date, other directly attributable costs, interest on loan facilities used to finance the construction less amounts collected to date.

Interest is recorded on the financial asset at a constant rate based on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

The unitary fee charged is split between services provided (which is recorded as turnover), collection of the financial asset, payment of interest on the financial asset and deferred income.

Turnover in relation to both construction and services provided is recorded net of VAT and arises entirely in the UK.

Capitalisation of finance costs

Interest arising on loans taken out to fund the construction of an asset are capitalised within amounts recoverable on long-term contracts until the construction is completed and the asset is handed over to the customer.

Fixed asset investments

Investments are shown at cost less provision for any impairment.

Capital instruments

Share capital is included in shareholders' funds. Debt instruments, which contain an obligation to repay, are classified as liabilities. In accordance with FRS 4 (Capital Instruments), the costs associated with the issue of debt instruments are charged to the Profit and Loss account over the life of the instruments, at a constant rate based on the carrying amount.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate fluctuations. The Group does not hold or issue derivative financial instruments for speculative purposes. Details of the Group's interest rate swap contracts are given in note 15.

Dividends

Dividends to the Company's ordinary shareholders are recognised in the financial statements when the amount has been agreed by the Board of Directors, the Company's senior debt provider and have been paid.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£	£
Interest on finance debtor	2,373,556	2,398,709
	2,373,556	2,398,709

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Bank interest payable	1,893,603	1,945,270
Other interest payable	381,179	384,180
Amortisation of debt issue costs	24,213	25,602
	2,298,995	2,355,052

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Employee costs

The Group had no employees in the year other than the directors (2010: nil).

The Directors did not receive any remuneration from the Group during the year (2010: £nil).

Auditor's remuneration

Auditor's remuneration for the audit of the Group was £4,244 payable to Baker Tilly UK Audit LLP (2010: £4,120).

Auditor's remuneration for tax services for the Group was £2,344, payable to Baker Tilly Tax and Accounting Limited (2010: £2,266).

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charges in the period

	2011	2010
	£	£
Current tax		
UK corporation tax on profits in the period	16,669	8,029
Adjustment in respect of previous periods	-	-
Total current tax	16,669	8,029
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	16,669	8,029

(b) Factors affecting tax charges for the period

The tax assessed for the year is equal to (2010: equal to) the standard rate of tax applicable to small companies in the UK of 20.25% (2010: 21%). The differences are explained below.

	2011	2010
	£	£
Profit on ordinary activities before taxation	83,329	38,232
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2010: 21%)	16,669	8,029
Adjustment in respect of previous periods	-	-
Current tax charge for the period	16,669	8,029

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

6. FIXED ASSET INVESTMENTS

	Group £	Company £
Investment in subsidiary undertakings		
As at 1 January 2011 and 31 December 2011	-	154,642

The Company owns 100% of the ordinary share capital of Bangor and Nendrum Schools Services Limited, a company incorporated in Northern Ireland. The principal activity of Bangor and Nendrum Schools Services Limited is the design, construction, financing, operation and maintenance of two secondary schools.

7. DEBTORS

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Amounts recoverable on long-term contracts:				
- due within one year	588,626	552,621	-	-
Prepayments and accrued income	54,931	13,744	-	-
Debtors due within one year	643,557	566,365	-	-
Amounts recoverable on long-term contracts:				
- due after more than one year	37,070,937	37,618,067	-	-
Total debtors	37,714,494	38,184,432	-	-

Interest payable was being capitalised until the practical completion date. Included in amounts recoverable on long-term contracts is interest totalling £1,375,278 (2010: £1,375,278).

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Bank loans (note 9)	946,575	949,355	-	-
Trade creditors	86,999	59,553	-	-
Corporation tax	16,670	8,030	-	-
Other taxation and social security	154,520	119,214	-	-
Accruals and deferred income	2,221,781	1,721,654	-	-
	3,426,545	2,857,806	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Other loans	3,106,712	3,131,610	-	-
Bank loans	32,484,897	33,432,455	-	-
	35,591,609	36,564,065	-	-

In accordance with FRS 4 issue costs of £374,319 (2010: £398,532) have been set off against the total loan drawdowns. The amount set off against loans falling due within one year is £23,539 (2010: £24,192) and after more than one year is £350,780 (2010: £374,340).

Maturity of debt

The loans (stated net of unamortised issue costs) are repayable as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Due within one year (note 8)	946,575	949,355	-	-
Due between one and two years	822,996	946,552	-	-
Due between two and five years	2,413,898	2,505,600	-	-
Due in more than five years	32,354,714	33,111,913	-	-
	36,538,183	37,513,420	-	-

Bank loans

The bank loans comprise senior debt. The senior debt consists of a loan that is repayable by May 2037 with principal repayments on the loan which commenced in December 2008.

The amount of the senior debt loan drawdown as at 31 December 2011 is £33,745,858 (2010: £34,719,415), with £970,114 (2010: £973,547) falling due within one year and £32,775,744 (2010: £33,745,858) after more than one year. The interest rate on the loan is fixed at 5.52% per annum until September 2017 through the use of a swap.

The bank loan is secured by floating charges over all the assets, rights and undertakings of the Group.

Other loans

Other loans comprise Subordinated Secured Loan Notes 2037 (the "loan notes").

The loan notes carry a coupon of 12.0% and interest is paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December each calendar year.

Providing certain defaults are not made by the Group, the loan notes are due for repayment on the termination of the service delivery contract. As such the loan notes have been classified in debt due in more than five years. Part or all of the loan notes can be redeemed earlier at the option of the Group.

The terms of the loan notes state that payments of interest and repayments of the loan principal are only to be made if sufficient funds are available to avoid a breach of covenants in the Group's banking facilities and whilst the subsidiary which has issued the loan notes is not in the process of a liquidation or other such winding-up proceedings. No such covenant breaches have occurred during the current or prior year.

The loan notes are secured by floating charges over all the assets, rights and undertakings of the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

10. CALLED UP SHARE CAPITAL

	Group and Company	
	2011	2010
	£	£
Allotted, called up and fully paid		
154,642 (2010: 154,642) ordinary shares of £1 each, issued at par	154,642	154,642

11. PROFIT AND LOSS ACCOUNT

	Group	Company
	£	£
At 1 January 2011	15,319	-
Profit for the financial year	65,886	-
Dividends distributed to the holders of the ordinary shares	(50,000)	-
At 31 December 2011	31,205	-

The profit for the financial year dealt with in the financial statements of the parent company was £50,000 (2010: £75,000). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

12. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2010	2010
	£	£
Opening shareholders' funds	169,961	214,758
Profit for the financial year	65,886	30,203
Dividends distributed to the holders of the ordinary shares	(50,000)	(75,000)
Closing shareholders' funds	185,847	169,961

13. FINANCIAL COMMITMENTS

The Group is committed to the provision of design and construction services. The total value contracted but not provided for is £Nil (2010: £Nil).

14. CONTROLLING PARTY

Ownership of the Company is shared between HOCHTIEF PPP Schools Capital Limited (40%), Barclays European Infrastructure Fund II LP (40%) and McLaughlin and Harvey Limited (20%). Accordingly, there is no overall parent company and no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

15. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The fair values of the Group's derivatives are as follows:

	Principal		Fair value	
	2011	2010	2011	2010
	£	£	£	£
Interest rate swap contracts	33,745,857	34,719,404	(9,500,038)	(4,665,757)

The Group uses derivatives to manage the exposure to interest rate movements on its senior debt. The fair values are based on market values of equivalent instruments at the balance sheet date.

The interest rate swap contracts have fixed interest receipts at an average rate of 4.8% over the life of the swap contracts, which terminate on 30 June 2037, and have floating interest payments at LIBOR.

16. RELATED PARTY TRANSACTIONS

At 31 December 2011 an amount of £1,583,323 (2010 £1,596,274) was owed to HOCHTIEF PPP Schools Capital Limited (which owns 40% of the Company) and £1,583,323 (2010: £1,596,274) was owed to Barclays European Infrastructure Fund II LP (which owns 40% of the Company). Both of the above relate to amounts of the Group's loan notes held.

The interest payable in the year on the above loan notes was £190,590 (2010: £192,090) to HOCHTIEF PPP Schools Capital Limited and £190,590 (2010: £192,090) to Barclays European Infrastructure Fund II LP. At 31 December 2011 an amount of £47,890 (2010: £48,282) was owed to HOCHTIEF PPP Schools Capital Limited and £47,890 (2010: £48,282) was owed to Barclays European Infrastructure Fund II LP in respect of accrued interest.