

Registered no: 06009302

**By Education (Waltham Forest)  
Limited**

**Directors' Report and Financial  
Statements**

**31 December 2011**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### Principal activities

The Company's principal activity is the design, build, financing, operation and maintenance of new educational facilities for the Mayor and Burgesses of the London Borough of Waltham Forest over 25 years under HM Government's Private Finance Initiative (the "Project") No change in the Company's activities is anticipated

### Business review

The results for the year are set out in the profit and loss account on page 5 The construction of Fredrick Bremer School was completed and handed over to the Mayor and Burgesses of the London Borough of Waltham Forest on 31<sup>st</sup> August 2008 The School became fully operational on 1<sup>st</sup> September 2008 The concession period will continue for the following 25 years ending on 31<sup>st</sup> August 2033

### Key performance indicators (KPIs)

The Company's management regards the level of turnover, net profit before tax and level of its debts as the key indicators of the Company's performance These are monitored on a regular basis to assess whether the Company is achieving the targets set In the year ended 31 December 2011, deductions of £600 (2010 £1,570) were levied

### Financial risk management policies and objectives

The Company's principal financial instruments comprise short term bank deposits, bank debt at LIBOR plus a bank margin and an interest rate swap to hedge interest rates

### Going concern

Notwithstanding the deficit on net assets, the directors consider it appropriate to prepare the financial statements on a going concern basis on the grounds that cash flow forecasts demonstrate an improvement in the future financial performance and that the Company has access to banking facilities (see note 11 to the financial statements) which are sufficient to enable the Company to meet its financial obligations as they fall due

### Proposed dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010 £nil)

### Directors and directors' interest

The directors who held office during the year were as follows

P J Cooper	(Resigned 2 October 2011)
S H McDonald	
G A Quaife	
D Blanchard	(Resigned 11 August 2011)
A Bekaert	
M G Esom	(Resigned 22 June 2011)
S Mustafa (Alternate to M G Esom)	(Resigned 22 June 2011)
J S Didier	
X Plumley (Alternate to S H McDonald)	
L Christolomme (Alternate to A Bekaert)	(Appointed 6 May 2011)
A Loderick	(Appointed 22 June 2011)
M Molony (Alternate to A Loderick)	(Appointed 22 June 2011)
A Waddington	(Appointed 22 August 2011)
N English (Alternate to A Waddington)	(Appointed 22 August 2011)
M Gregory (Alternate to A Waddington)	(Appointed 22 August 2011)

## **Directors' report** *(continued)*

Subsequent to year end the following changes have taken place

J S Didier	(Resigned 27 January 2012)
P Parmar Rea	(Appointed 27 January 2012)
S H McDonald	(Resigned 24 April 2012)
X Plumley (Alternate to S H McDonald)	(Resigned 24 April 2012)
E Chautemps	(Appointed 24 April 2012)
S H McDonald (Alternate to E Chautemps)	(Appointed 24 April 2012)
A Bekaert	(Resigned 14 May 2012)
D Gill	(Appointed 14 May 2012)

### **Directors' liabilities**

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of Section 234 of the Companies Act 2006

### **Supplier payment policy**

The Company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and comply with them, to explain payment procedures to suppliers, to pay bills in accordance with any contract agreed with the supplier or as required by law, and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the Code is available from BERR Publications Orderline, Admail 528, London SW1W 8YT

The amount due to the Company's trade creditors at 31 December 2011 represented 14 day's (2010 49 day's) average daily purchases of goods and services received from those creditors, calculated in accordance with Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

### **Political and charitable contributions**

The Company made no political or charitable contributions during the year (2010 £nil)

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith

### **Auditor**

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

## **Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the Directors and of the auditor in relation to the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

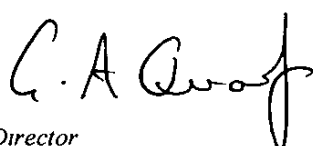
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss for that period

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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the Board

  
Director  
G Quaife

Date 13<sup>th</sup> July 2012

Registered Office  
21 St Thomas Street  
Bristol  
BS1 6JS

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY EDUCATION (WALTHAM FOREST) LTD**

We have audited the financial statements of By Education (Waltham Forest) Ltd for the year ended 31 December 2011 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 web-site at [www.frc.org.uk/apb/scope/private.cfm](http://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 company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **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



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

Date **27 May 2012**

**Profit and loss account**  
*For the year ended 31 December 2011*

	<i>Note</i>	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
		<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>1,068</b>	<b>1,069</b>
Cost of sales		<b>(688)</b>	<b>(679)</b>
<b>Gross profit</b>		<b>380</b>	<b>390</b>
Administrative expenses		<b>(303)</b>	<b>(316)</b>
<b>Operating profit</b>		<b>77</b>	<b>74</b>
Other interest receivable and similar income	<b>6</b>	<b>1,361</b>	<b>1,394</b>
Interest payable and similar charges	<b>7</b>	<b>(1,370)</b>	<b>(1,419)</b>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>68</b>	<b>49</b>
Tax on profit on ordinary activities	<b>8</b>	<b>(39)</b>	<b>(25)</b>
<b>Profit for the financial year</b>		<b>29</b>	<b>24</b>

The results above are all derived from continuing operations. There are no recognised gains or losses other than the profit for the financial year.

The notes on pages 8 to 14 form part of these financial statements.

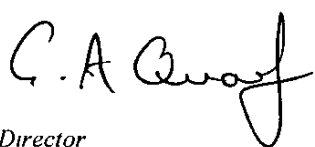
**Balance sheet**  
*at 31 December 2011*

	<i>Note</i>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Current assets</b>			
Debtors (including £19,429,346 (2010 £19,871,421) due after more than one year)	9	19,860	20,277
Cash at bank and in hand		1,038	1,062
		<u>20,898</u>	<u>21,339</u>
<b>Creditors</b> amounts falling due within one year	10	(2,357)	(2,129)
		<u>18,541</u>	<u>19,210</u>
<b>Net current assets</b>			
<b>Creditors</b> amounts falling due after more than one year	11	(19,264)	(19,962)
		<u>(723)</u>	<u>(752)</u>
<b>Net liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	12	50	50
Profit and loss account	13	(773)	(802)
		<u>(723)</u>	<u>(752)</u>
<b>Equity shareholders' deficit</b>			

Movements in reserves are shown in note 13

The notes on pages 8 to 14 form part of these financial statements

These financial statements were approved by the Board of directors on 13 July 2012 and were signed on its behalf by



*Director*  
G Quaife

*Company Registered number 06009302*



## Reconciliation of movements in shareholders' deficit

*For the year ended 31 December 2011*

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Profit for the financial year	29	24
Net decrease in shareholders' deficit	29	24
Opening shareholders' deficit	(752)	(776)
Increase in share capital	-	-
Closing shareholders' deficit	(723)	(752)

The notes on pages 8 to 14 form part of these financial statements

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard ("FRS") 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of By Education (Waltham Forest) Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of By Education (Waltham Forest) Holdings Limited, within which this Company is included, can be obtained from the address given in note 17

Notwithstanding the deficit on net assets, the directors consider it appropriate to prepare the financial statements on a going concern basis on the grounds that cash flow forecasts demonstrate an improvement in the future financial performance and that the Company has access to banking facilities (see note 11 to the financial statements) which are sufficient to enable the Company to meet its financial obligations as they fall due

#### ***Finance debtor and services income***

The Company is an operator of a Private Finance Initiative contract The underlying asset is not deemed to be a tangible asset of the Company under FRS 5 Application Note F because rewards of ownership as set in that standard are deemed to lie principally with the Mayor and Burgesses of the London Borough of Waltham Forest

During construction phase of the Project, all attributable expenditure is included in amounts recoverable on contracts and turnover Upon becoming operational, the costs are transferred to the finance debtor During the operational phase income will be allocated between interest receivable and the finance debtor using a project specific interest rate The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 5 Application Note G The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed

#### ***Interest***

Interest costs are expensed to the profit and loss account during the whole Project

#### ***Taxation***

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### ***Turnover***

Turnover is recognised in accordance with the finance debtor and services income accounting policy and excludes VAT

## Notes (continued)

### 2 Analysis of turnover

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Services income	1,068	1,069
Other pass through income	-	-
	<u>1,068</u>	<u>1,069</u>

Services income relates to the facilities management at Frederick Bremer School. Other pass through income relates to additional variation works funded by the London Borough of Waltham Forest.

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

### 3 Profit/(Loss) on ordinary activities before taxation

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
<i>Profit/(Loss) on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration		
Audit of these financial statements	10	12
	<u>10</u>	<u>12</u>

### 4 Remuneration of directors

Directors' emoluments for the year under review amounted to £nil (2010 £nil).

### 5 Staff numbers and costs

The Company had no employees during the year under review (2010 nil).

### 6 Other interest receivable and similar income

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Finance debtor interest income	1,359	1,392
Bank interest	2	2
	<u>1,361</u>	<u>1,394</u>

## Notes (continued)

### 7 Interest payable and similar charges

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Interest on bank loans	1,137	1,181
Interest on subordinated debt	214	220
Amortisation of debt issue costs	9	9
Other similar charges	10	9
	<u>1,370</u>	<u>1,419</u>

### 8 Taxation

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
<i>UK corporation tax</i>		
Current tax on income for the year	1	-
Prior year adjustment	1	-
	<u>2</u>	<u>-</u>
<i>Deferred tax</i>		
Reversal/(origination) of timing differences	17	14
Effect of change in future rate	20	11
	<u>39</u>	<u>25</u>

#### *Factors affecting the tax charge for the current year*

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Profit on ordinary activities before taxation	68	49
	<u>18</u>	<u>14</u>
Current tax at 26.5% (2010: 28%)		
Effect of		
Unrelieved tax losses carried forward	-	-
Utilisation of losses brought forward	(17)	(14)
	<u>1</u>	<u>-</u>
Current tax		

## Notes (continued)

### 8 Taxation (continued)

#### Factors affecting future tax charges

The Company has accumulated losses of £1,006,580 (2010 £1,071,559) which have been carried forward and will be offset against future taxable profits. A deferred tax asset has been recognised for the tax losses. The corporation tax rate applicable to the Company is 26.5% (2010 28%).

#### Deferred tax

Deferred tax is provided at 25% (2010 27%) on the following losses (note 9)

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Tax losses	1,007	1,072

The deferred tax asset has been recognised in the current year on those tax losses which can be set off against future profits of the Company. The future profits of the Company have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract. The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 30 March 2012.

This will reduce the Company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £10,066.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax asset accordingly.

### 9 Debtors

	2011 £000	2010 £000
Finance debtor	19,582	19,960
Trade debtors	7	-
Other debtors	19	28
Deferred taxation (see note 8)	252	289
	19,860	20,277

Debtors include finance debtor of £19,582,100 (2010 £19,959,747) in which £404,399 (2010 £377,647) is due less than one year and £19,177,701 (2010 £19,582,100) is due after more than one year and a deferred tax asset of £251,645 (2010 £289,321) which is expected to be offset against taxable profits after more than one year.

## Notes (continued)

### 10 Creditors amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	26	92
Accruals	449	465
Bank loans	652	617
Subordinated debt	55	49
Unitary charge control account	1,137	781
Corporation tax	1	-
Other creditors (VAT)	37	125
	<u>2,357</u>	<u>2,129</u>

### 11 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Bank loans	17,720	18,372
Subordinated debt	1,735	1,790
Less unamortised issue costs	(191)	(200)
	<u>19,264</u>	<u>19,962</u>

#### Analysis of debt:

	2011 £000	2010 £000
Debt can be analysed as falling due		
In one year or less, or on demand	707	666
Between one and two years	745	707
Between two and five years	2,377	2,438
In five years or more	16,333	17,017
	<u>20,162</u>	<u>20,828</u>

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

The Company has entered into swap contracts for the period 30<sup>th</sup> September 2008 to 31<sup>st</sup> August 2032 covering all of the debt drawn down which hedges the Company's interest rate exposure on the senior debt. Bank loans bear interest based on LIBOR plus a swap spread of 5.497%.

Bank loans are repayable in bi-annual instalments commencing on 31 March 2009 and ending on 31 March 2032. The Company has agreed bank facility terms to borrow up to £25,680,208. At the balance sheet date £23,061,616 had been drawn down. £4,689,915 has been repaid. The facility is available up until 31 August 2032 and is subject to certain financial and non-financial covenants.

The subordinated unsecured loan stock issued to the company bears interest at 11.80% and is fully redeemable by 31<sup>st</sup> March 2032. The subordinated debt is repayable in bi-annual instalments commencing on 30<sup>th</sup> September 2009.

## Notes (continued)

### 12 Called up share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	50	50

### 13 Profit and loss account

	2011 £000	2010 £000
At beginning of year	(802)	(826)
Profit for the financial year	29	24
At end of year	(773)	(802)

### 14 Commitments

Capital commitments at the end of the financial year for which no provision has been made is £nil (2010 £nil)

### 15 Post Balance Sheet Events

There were no significant events between the balance sheet date, 31 December 2011 and the date the financial statements were approved by the board of directors

### 16 Related party disclosures

During the year, the Company incurred costs charged by related parties detailed as follows

	Cash transactions Expense/(receipt)		Balance owed to/(from) at year end	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Management services</b>				
- Waltham Forest Local Education Partnership Limited	209	161	-	18
<b>Subordinated debt</b>				
- InfraRed (Infrastructure) Capital Partners Limited as General Partner for each of several limited partnerships constituting InfraRed Infrastructure Fund II	130	123	1,072	1,101
- Bouygues Construction Investments (UK) Ltd	36	34	249	255
- Building Schools for the Future Investments LLP	24	23	166	171
	399	341	1,487	1,545

**Notes** *(continued)*

**17 Ultimate parent company and parent undertaking of larger group of which the Company is a member**

The Company is a subsidiary undertaking of By Education (Waltham Forest) Holdings Limited which is incorporated in the United Kingdom

InfraRed (Infrastructure) Capital Partners Limited as General Partner for and on behalf of each of the several limited partnerships constituting InfraRed Infrastructure Fund II is the ultimate majority shareholder of By Education (Waltham Forest) Holdings Limited

The largest and smallest group in which the results of the Company are consolidated is that headed by By Education (Waltham Forest) Holdings Limited. The consolidated accounts of this group are available to the public and may be obtained from 21 St Thomas Street Bristol, BS1 6JS