

**BY Education (Waltham Forest) Limited**

**Annual report and financial statements**

Registered number 06009302

31 December 2015

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## **Strategic report**

The directors present their strategic report for BY Education (Waltham Forest) Limited (the 'Company') for the year ended 31 December 2015.

### **Principal Activities**

The principal activity of the Company is the finance, design and construction, refurbishment and operation of educational facilities under the Government's Private Finance Initiative ("PFI"). The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

### **Review and analysis of the business during the current year**

The Company continued its principal activities throughout the current year.

The Company has entered into a Project Agreement with the London Borough of Waltham Forest, together with an associated construction and services contract, funding agreements and ancillary project agreements. The Project Agreement requires it to finance, design, develop, construct and maintain Frederick Bremer School for a term of 26 years from the date of signing of the Project Agreement.

The results of the company are set out in the attached financial statements.

### **Key performance indicators (KPIs)**

#### **1. Performance deductions under the service contract**

The Company is paid revenue by the Authority in accordance with the terms of the Project Agreement. Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These are passed on to the service provider. In the year ended 31 December 2015, deductions of £6,973 (2014: £nil) had been levied. The directors consider the performance for the year to be satisfactory.

#### **2. Financial Performance**

The Company has modelled the anticipated financial outcome of the Project across its full term. The Company monitors actual financial performance against this anticipated performance. As at 31 December 2015, the Company's performance against this measure was satisfactory.

The results for the year are set out in the profit and loss account on page 6.

### **Position of the Company at the year end**

The Company completed the construction phase on 31 August 2008 and began a 25 years concession period thereafter. In the opinion of the directors the operating phase of the Project is performing satisfactorily to the standards of the contract.

### **Development and financial performance during the year**

As reported in the Company's profit and loss account, revenue has increased from £1,345,000 in 2014 to £1,405,000 in 2015 in line with expectations.

The profit for the year after taxation was £200,000 (2014: £164,000). The directors consider the results for the year satisfactory.

The balance sheet shows that the net carrying value of the Company's net liabilities at year end was £4,349,000 (2014: £4,967,000 liabilities). Net liabilities includes the cash flow hedge reserve of £4,175,000 (2014: £4,593,000).

## **Strategic report** *(continued)*

### *Principal risks and uncertainties*

The Authority is the sole client of the Company but the directors consider that no strategic risk arises from such a small client base since the Secretary of State for Education has underwritten the Authority's obligations under the Project Agreement.

Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

### **Future prospects**

The Company will continue to support the Trust under the PFI scheme.

### **Approval**

This report was approved by the board on 25 July 2016 and signed on its behalf by:



**R Driver**  
Director  
BY Education (Waltham Forest) Ltd

25 July 2016

21 St Thomas Street  
Bristol  
BS1 6JS

## **Directors' report** **for the year ended 31 December 2015**

The Directors present their annual report and the audited financial statements of BY Education (Waltham Forest) Limited for the year ended 31 December 2015. Principal activity, key performance indicators, financial performance and principal risks and uncertainties during the year are mentioned in the Strategic Report.

### **Dividend**

The Directors do not propose to pay a final dividend in respect of 2015 (2014: £nil).

### **Directors**

The Directors of the Company who held office during the year and to the date of signing these financial statements are listed below:

G A Quaife	
M Holden	(resigned 21 April 2016)
R Driver	
M Molony	
P Parmar Rea	(resigned 23 February 2015)
P Andrews	
A Imber	
C Leverd	(appointed 21 April 2016)

### **Going Concern**

Having made appropriate inquiries the directors consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the consolidated financial statements.

### **Directors' indemnity**

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 the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

### **Political and charitable contributions**

The Company made no political or charitable contributions during the current year (2014: £nil).

### **Disclosure of information to auditor**

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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

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

### **By order of the Board**



R Driver  
Director

25 July 2016

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

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

## **Independent auditor's report to the members of BY Education (Waltham Forest) Limited**

We have audited the financial statements of BY Education (Waltham Forest) Limited for the year ended 31 December 2015 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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.

### **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 website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 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 Strategic Report and 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.



Amanda Moses (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Arlington Business Park  
Theale  
Reading, RG7 4SD

2 April 2016

**Profit and loss account and statement of other comprehensive income**  
*for year ended 31 December 2015*

	<i>Note</i>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Turnover</b>	<b>2</b>	<b>1,405</b>	<b>1,345</b>
Cost of sales		(940)	(930)
<b>Gross profit</b>		<b>465</b>	<b>415</b>
Administrative expenses		(266)	(259)
<b>Operating profit</b>		<b>199</b>	<b>156</b>
Interest receivable and similar income	5	1,223	1,277
Interest payable and similar charges	6	(1,172)	(1,227)
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>250</b>	<b>206</b>
Tax on profit on ordinary activities	7	(50)	(42)
<b>Profit for the financial year</b>		<b>200</b>	<b>164</b>
<b>Other comprehensive income</b>			
Items that will or may be reclassified to profit or loss:			
Profit/(loss) arising on cash flow hedges	14	650	(1,760)
Tax recognised in relation to change in fair value cash flow hedges	7	(232)	352
Other comprehensive income for the year		418	(1,408)
<b>Total comprehensive income for the year</b>		<b>618</b>	<b>(1,244)</b>

The notes on pages 9 to 22 form an integral part of these financial statements



**Balance sheet**  
**at 31 December 2015**

	<i>Note</i>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Current assets</b>			
Debtors (including £17,237,000 due after more than one year)	8	18,827	19,630
Cash at bank and in hand		1,730	1,629
<b>Total current assets</b>		<b>20,557</b>	<b>21,259</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	(3,637)	(3,632)
<b>Total current assets</b>		<b>16,920</b>	<b>17,627</b>
Creditors: amounts falling due after more than one year	10	(21,269)	(22,594)
<b>Net liabilities</b>		<b>(4,349)</b>	<b>(4,967)</b>
<b>Capital and reserves</b>			
Called up share capital	13	50	50
Profit and loss account		(224)	(424)
Cash flow hedge reserve	14	(4,175)	(4,593)
<b>Equity shareholders' deficit</b>		<b>(4,349)</b>	<b>(4,967)</b>

The notes on pages 9 to 22 form an integral part of these financial statements

These financial statements were approved by the board of directors on 25 July 2016 and were signed on its behalf by:



R Driver  
*Director*

Company registered number: 06009302

## Statement of changes in equity

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	50	(3,185)	(588)	(3,723)
<b>Total comprehensive income for the period</b>				
Profit	-	-	164	164
Other comprehensive income	-	(1,408)	-	(1,408)
Total comprehensive income for the period	-	(1,408)	164	(1,244)
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>50</b>	<b>(4,593)</b>	<b>(424)</b>	<b>(4,967)</b>

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	50	(4,593)	(424)	(4,967)
<b>Total comprehensive income for the period</b>				
Profit	-	-	200	200
Other comprehensive income	-	418	-	418
Total comprehensive income for the period	-	418	200	618
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>50</b>	<b>(4,175)</b>	<b>(224)</b>	<b>(4,349)</b>

The notes on pages 9 to 22 form an integral part of these financial statements

## Notes

(forming part of the financial statements)

### 1 Accounting policies

BY Education (Waltham Forest) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2015. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made 2 measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 17.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Service concession arrangements – The Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.
- Hedge accounting documentation – The Company has taken advantage of the exemption in respect of having prepared hedge accounting documentation for each of the hedging relationships which existed previously before the date of transition.

The Company's parent undertaking, BY Education (Waltham Forest) Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of BY Education (Waltham Forest) Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of BY Education (Waltham Forest) Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

#### 1.2 Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2033. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

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

#### 1.3 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

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

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

##### *Restricted cash*

The Company is obligated to keep a separate cash reserve in respect of future major maintenance and debt service costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £160,000 at the year end (2014: £160,000).

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Other financial instruments

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

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

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

##### *Derivative financial instruments and hedging*

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

##### *Cash flow hedges*

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

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

#### 1.5 Impairment excluding deferred tax assets

##### *Financial assets (including trade and other debtors)*

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

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.5 Impairment excluding deferred tax assets (continued)**

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **1.6 Finance debtor and service income**

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

#### **1.7 Expenses**

##### *Interest receivable and Interest payable*

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

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

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

#### **1.8 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

## Notes (continued)

### 2 Turnover

	2015 £000	2014 £000
Services revenue	1,405	1,345

### 3 Auditor's remuneration

	2015 £000	2014 £000
Audit of these financial statements	15	15
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	4	4

### 4 Staff costs and Directors' remuneration

The company had no employees during the year (2014: none).

Directors' emoluments for the year under review amounted to £nil (2014: £nil).

### 5 Other interest receivable and similar income

	2015 £000	2014 £000
Finance debtor interest	1,221	1,272
Bank interest receivable	2	5
	1,223	1,277

### 6 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on bank loans and overdrafts	977	1,025
Interest payable on subordinated debt	185	193
Bank charges	10	9
	1,172	1,227

Of the above amount £185,000 (2014: £193,000) was payable to group undertakings.

## Notes (continued)

### 7 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015 £000	2014 £000
<i>UK corporation tax</i>		
Current tax	50	44
Prior year adjustment	-	(2)
Total current tax	50	42
<i>Deferred tax</i>		
Origination/reversal of timing differences	(232)	352
Total deferred tax	(232)	352
Total tax	(182)	394

	2015			2014		
	Current Tax £000	Deferred Tax £000	Total Tax £000	Current Tax £000	Deferred Tax £000	Total Tax £000
Recognised in profit and loss account	50	-	50	42	-	42
Recognised directly in equity	-	(232)	(232)	-	352	352
Total tax	50	(232)	(182)	42	352	394

#### Reconciliation of the effective tax rate

The current tax credit for the period is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below.

	2015 £000	2014 £000
Profit on ordinary activities after taxation	200	164
Total tax expense	50	42
Profit excluding taxation	250	206
Taxation using the UK corporation tax rate of 20.25% (2015: 21.5%)	50	44
Adjustment to tax charge in respect of prior years	-	(2)
Current Tax charge	50	42



## Notes (continued)

### 7 Taxation (continued)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. In the budget on 16 March 2016, the Chancellor announced additional planned reductions to 17% by April 2020.

### 8 Debtors

	2015 £000	2014 £000
Finance debtor	17,779	18,281
Trade debtors	10	50
Prepayments and accrued income	68	49
Deferred tax	970	1,250
	<u>18,827</u>	<u>19,630</u>
Due within one year	1,590	1,846
Due after more than one year	<u>17,237</u>	<u>17,784</u>
	<u>18,827</u>	<u>19,630</u>

## Notes (continued)

### 9 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank loans and overdrafts	627	798
Trade creditors \	14	33
Accruals and deferred income	371	368
Unitary charge control account	2,531	2,216
Interest on subordinated debt	57	80
Corporation tax	1	1
Other creditors	36	136
	<u>3,637</u>	<u>3,632</u>

### 10 Creditors: amounts falling after more than one year

	2015 £000	2014 £000
Bank loans and overdrafts	14,710	15,329
Subordinated debt	1,468	1,525
Other financial instruments (note 14)	5,091	5,740
	<u>21,269</u>	<u>22,594</u>

### 11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

#### Creditors falling due more than one year

	2015 £000	2014 £000
Bank loan	14,710	15,329
Subordinated debt	1,468	1,525
	<u>16,178</u>	<u>16,854</u>

#### Creditors falling due within less than one year

	2015 £000	2014 £000
Bank loan	627	798
Subordinated debt	57	80
	<u>684</u>	<u>878</u>

Included within Bank loan is an amount repayable after five years of £12,604,000 (2014: £13,225,000) and included within subordinated debt are amounts repayable after five years of £1,268,000 (2014: £1,328,000) respectively.

## Notes (continued)

### 11 Interest-bearing loans and borrowings (continued)

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2015 £000	2014 £000
Bank loan	GBP	LIBOR + 0.9%	2032	Semi-annual	15,492	16,289
Subordinated debt	GBP	11.80%	2032	Semi-annual	1,525	1,605

The bank loan comprises a Senior Loan facility repayable in semi-annual instalments by March 2032. Interest charged on amounts drawn under the Senior Loan facility is based on the floating LIBOR rate, plus a margin of 0.9%. All amounts drawn under the facilities are secured by fixed and floating charges over the total assets of the Company.

### 12 Deferred tax asset

Deferred tax asset is attributable to the following:

	2015 £000	2014 £000
Deferred tax on accumulated losses	54	102
Deferred tax on revaluation of fair value of derivatives	916	1,148
	<u>970</u>	<u>1,250</u>

Deferred tax asset is recognised on the revaluation of the SWAP derivative on the interest rate SWAP held by the company. This is accounted for under cash flow hedges (see note 14).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

### 13 Capital and reserves

#### Share capital

	2015 £000	2014 £000
<b>Authorised</b>		
Equity: 50,000 (2014: 50,000) ordinary shares of £1 each	50	50
<b>Allotted, called up and fully paid</b>		
Equity: 50,000 (2014: 50,000) ordinary shares of £1 each	50	50

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

#### Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## Notes (continued)

### 14 Financial instruments

#### (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2015 £000	2014 £000
Assets measured at amortised cost		
Finance debtor	17,779	18,281
Trade debtors	10	50
	<u>17,789</u>	<u>18,331</u>
Assets measured at cost less impairment		
Cash and cash equivalents	1,730	1,629
	<u>1,730</u>	<u>1,629</u>
Liabilities measured at amortised cost		
Trade and other payables	(14)	(33)
Bank loan	(15,492)	(16,290)
Subordinated debt	(1,525)	(1,605)
	<u>(17,031)</u>	<u>(17,928)</u>
Liabilities measured at fair value through profit and loss		
Interest and RPI rate swaps	(5,091)	(5,741)
	<u>(5,091)</u>	<u>(5,741)</u>

#### (b) Financial instruments measured at fair value

##### Derivative financial instruments

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

**Notes (continued)**

**14 Financial instruments (continued)**

**(c) Hedge accounting**

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

2015					
	Carrying Amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest rate swap	(5,091)	(730)	(698)	(1,814)	(3,271)
	<u>(5,091)</u>	<u>(730)</u>	<u>(698)</u>	<u>(1,814)</u>	<u>(3,271)</u>
2014					
	Carrying Amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest rate swap	(5,741)	(772)	(730)	(1,959)	(3,824)
	<u>(5,741)</u>	<u>(772)</u>	<u>(730)</u>	<u>(1,959)</u>	<u>(3,824)</u>

The Company has entered into an interest rate swap agreement under the bank loan which expires in March 2032. A fixed rate of 5.497% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to LIBOR to the fixed rate above.

## Notes (continued)

### 14 Financial instruments (continued)

#### (d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2015 £000	2014 £000
Interest rate swap contract	(5,091)	(5,741)

### 15 Related parties

During the year, the Company incurred costs charged by related parties detailed as detailed in the table below. The related parties identified all exert influence over the Company by virtue of their varying levels of indirect ownership of the Company's shares. Waltham Forest LEP Ltd provides PFI management services to the Company via a PFI Management Services Agreement. InfraRed Infrastructure Yield Holdings Limited and Building Schools for the Future Investments LLP have provided subordinated loans to the Company. Interest and capital are paid semi-annually.

	Cash transactions Expense/(receipt)		Balance owed to/(from) at year end	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Management services</b>				
- Waltham Forest Local Education Partnership Limited	99	194	-	-
<b>Subordinated debt</b>				
- InfraRed Infrastructure Yield Holdings Limited	192	191	1,131	1,190
- Building Schools for the Future Investments LLP	24	24	141	149
	<u>315</u>	<u>409</u>	<u>1,272</u>	<u>1,339</u>

### 16 Ultimate parent company and parent company of larger group

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

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 these Groups are available to the public and may be obtained from the Company Secretary at 21 St Thomas Street, Bristol, BS1 6JS.

## Notes (continued)

### 17 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables.

#### Reconciliation of equity

	Note	1 January 2014			31 December 2014		
		UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
<b>Currents assets</b>							
Debtors (due within one year)	b	528	796	1,324	698	1,147	1,845
Debtors (due after more than one year)		18,457	-	18,457	17,785	-	17,785
Cash at bank and in hand		1,444	-	1,444	1,629	-	1,629
		20,429	796	21,225	20,112	1,147	21,259
 Creditors: amounts due within one year		(3,245)	-	(3,245)	(3,632)	-	(3,632)
 <b>Net current assets</b>		17,184	796	17,980	16,480	1,147	17,627
 Creditors: amounts falling due after more than one year	a	(17,722)	(3,981)	(21,703)	(16,854)	(5,740)	(22,594)
 <b>Net assets</b>		(538)	(3,185)	(3,723)	(374)	(4,593)	(4,967)
 <b>Capital and Reserves</b>							
Called up share capital		50	-	50	50	-	50
Cash flow hedge reserve	a,b	-	(3,185)	(3,185)	-	(4,593)	(4,593)
Profit and Loss account		(588)	-	(588)	(424)	-	(424)
 <b>Shareholders' equity</b>		(538)	(3,185)	(3,723)	(374)	(4,593)	(4,967)

#### Notes to the reconciliation of equity

- a) The derivatives held by the entity, being an interest rate SWAP and RPI SWAP contracts, have now been recognised in the balance sheet at their fair value under FRS 102. These have been accounted for as a cash flow hedge and therefore been recognised in a separate cash flow hedge reserve.

## Notes (continued)

### 17 Explanation of transition to FRS 102 from old UK GAAP (continued)

#### Notes to the reconciliation of equity

- b) Deferred tax asset has been recognised on the fair value of the SWAP arrangements. This has been recognised within current assets and movements on the deferred tax is taken to the cash flow hedge reserve.

#### Reconciliation of profit for the year ended 31 December 2014

	UK GAAP £000	2014 Effect of transition to FRS 102 £000	FRS 102 £000
<b>Turnover</b>	1,345	-	1,345
Cost of Sales	(930)	-	(930)
<b>Gross Profit</b>	415	-	415
Administrative Expenses	(259)	-	(259)
<b>Operating Profit</b>	156	-	156
Other interest receivable and similar income	1,277	-	1,277
Interest payable and similar charges	(1,227)	-	(1,227)
<b>Profit on ordinary activities before taxation</b>	206	-	206
Tax charge on profit on ordinary activities	(42)	-	(42)
<b>Profit on ordinary activities after taxation</b>	164	-	164

#### Notes to the reconciliation of profit

No changes have been required to the profit and loss account through the transition to FRS 102.

### 18 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Group's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.