

Leicester BSF Company 1 Limited

Directors' Report and Financial Statements

For the year ended 31 March 2011

Registered Number 6259530

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Directors' Report and Financial Statements

Contents

Directors' Report	1
Statement of Directors' Responsibilities	2
Independent Report of the Auditors to the Members of Leicester BSF Company 1 Limited	3
Profit and Loss Account	4
Balance Sheet	5
Cashflow Statement	6
Notes	7-14

Directors' Report

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

Principal Activity and Review of business & future developments

The company is a wholly owned subsidiary of Leicester BSF Holdings Company 1 Limited

The principal activity of the company is to design, build, operate and maintain school buildings at Judgemeadow Community College and Soar Valley School, Leicester under a PFI contract with Leicester City Council. The construction of these schools was completed in the previous financial year and the project is now in its operational phase.

The directors consider the performance of the company during the period, the financial position at the end of the period and its prospects for the future to be satisfactory.

The company considers that its main risks and uncertainties are ensuring that its unitary charge is paid on time by the Council so that it can pay its funding costs. Actual performance is monitored against plan, being the financial close model and budget, on a monthly basis and this is reported to the board. There are no major variances to date. The financial model is updated on a semi-annual basis for actual performance to ensure banking covenants are not breached.

The company's current plans are to continue to maintain and operate the schools to the required standard.

Results and Dividend

The results for the period are set out in the attached Profit and Loss Account. The profit for the period before taxation is £79,514 (2010 £220,558). The directors do not recommend payment of a dividend.

Directors

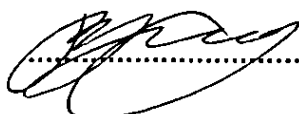
The Directors who held office during the period were as follows:

M Baxter (Alternate Director)
M Bourne (Alternate Director)
D Blanchard (resigned 11/8/2011)
P Harris
A Scott (Alternate Director) (Resigned 19/11/2010)
C Elliott
R Taylor (Alternate Director)
B Ravi Kumar
B Dagleish (Alternate Director)
S Burton (appointed 6/6/2011)
N English (appointed 15/8/2011)
A Waddington (Alternate Director) (appointed 15/8/2011)

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

On behalf of the board



P Harris, Director

Date

27/9/2011

Statement of Directors' Responsibilities

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 elected to prepare 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

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c 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

Independent Auditors' Report to the Members of Leicester BSF Company 1 Limited

We have audited the financial statements on pages 4 to 14

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 auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 2, 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

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 the 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 2011 and of its 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, 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

Baker Tilly UK Audit LLP

GAVIN BLACK (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

30/5/11

Profit and Loss Account
for the year ended 31 March 2011

	<i>Note</i>	Year ended 31 March 2011	Year ended 31 March 2010 £
Turnover		2,393,220	3,613,090
Cost of Sales		(1,971,101)	(2,254,091)
Gross Profit		422,119	1,358,999
Administrative Expenses		(263,810)	(196,416)
Operating profit	3	158,309	1,162,583
Interest Receivable	4	2,862,480	1,274,111
Interest Payable	5	(2,941,275)	(2,216,136)
Profit on ordinary activities before taxation		79,514	220,558
Taxation	6	(16,698)	(46,317)
Profit on ordinary activities after taxation		62,816	174,241

None of the company's activities were acquired or discontinued during the above two financial years

There are no recognised gains and losses other than those passing through the profit and loss account

Balance Sheet
As at 31 March 2011

	Note	As at 31 March 2011 £	As at 31 March 2010 £
Current Assets			
Finance Lease Debtor amounts due in < 1 year	7	919,804	864,165
Finance Lease Debtor amounts due in > 1 year	7	43,692,130	45,095,881
Debtors	8	79,016	376,214
Cash at bank and in hand		1,816,275	1,436,649
		<hr/> 46,507,225	<hr/> 47,772,909
Creditors amounts falling due within one year	9	(2,323,100)	(2,389,600)
Current assets less current liabilities		<hr/> 44,184,125	<hr/> 45,383,309
Creditors amounts falling due after more than one year	10	(44,060,662)	(45,322,662)
Net assets		<hr/> <hr/> 123,463	<hr/> <hr/> 60,647
Capital and reserves			
Called up share capital	11	100,000	100,000
Profit and loss account	12	23,463	(39,353)
Equity shareholders' funds	13	<hr/> <hr/> 123,463	<hr/> <hr/> 60,647

The financial statements on pages 4 to 14 were approved by the board of directors and authorised for issue on 27/9/11 and are signed on its behalf by



P Harris, Director

27/9/2011

Date

Registered Number 6259530

Cashflow Statement at 31 March 2011

	Note	As at 31 March 2011 £	As at 31 March 2010 £
Cash flow from operating activities	14	1,634,601	1,693,069
Returns on investments & servicing of finance	14	(78,795)	(942,025)
Taxation		-	-
Capital expenditure and financial investment	14	-	(127,868)
		<hr/> 1,555,806	<hr/> 623,176
Cash Inflow before Financing		<hr/> 1,555,806	<hr/> 623,176
Financing	14	(1,176,180)	375,129
		<hr/> 379,626	<hr/> 998,305
Increase in cash in period		<hr/> <hr/> 379,626	<hr/> <hr/> 998,305

Reconciliation of Net cash flow to movement of Net Debt

	As at 31 March 2011 £	As at 31 March 2010 £
Increase in cash in the period	379,626	998,305
Change in net debt resulting from cash flows	1,176,181	(375,129)
	<hr/> (1,555,807)	<hr/> (623,176)
Decrease in net debt in the period	(1,555,807)	(623,176)
Net debt at 1 April 2010	45,047,244	45,670,420
	<hr/> 43,491,437	<hr/> 45,047,244
Net debt at 31 March 2011	<hr/> <hr/> 43,491,437	<hr/> <hr/> 45,047,244

Notes – 31 March 2011

(forming part of the accounts)

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Going Concern

The company financial statements have been prepared on a going concern basis on the assumption that ongoing support will be received from Leicester BSF Holdings Company 1 Limited, the parent company and the company's bankers, and the current expectation that the PFI project in which the company is participating in will be profitable in the future. The Directors believe that this support will continue and are satisfied as to the expectation of the future profitability of the project.

Turnover

Turnover represents the value of work done and services rendered. It arises entirely in the UK and excludes value added tax.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. 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 FRS19.

Capital instruments

Shares are included in shareholder funds. Other debt instruments, which contain an obligation to repay, are classified as liabilities. The finance cost recognised in the profit and loss account in respect of capital instruments other than shares is allocated to periods over the operating life of the instrument to which they relate at a constant rate on the carrying amount.

Amounts recoverable on Long Term Contracts

During the construction phase of the project SSAP 9 "Stocks and Long Term Contracts" principles have been applied. As such any costs incurred are shown as work in progress.

Work in progress is valued at the lower of cost and net realisable value. Costs of work in progress include overheads appropriate to the stage of construction. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Finance costs have been capitalised to the extent that they relate to the construction period.

In accordance with Financial Reporting Standards (FRS 5) Application Note F, the costs at the end of the construction phase are recorded as a Finance Debtor on the balance sheet.

Notes – 31 March 2011

(forming part of the accounts)

2. Directors' Remuneration

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Amounts paid to third parties in consideration for services of directors	21,984	21,708
	<u>21,984</u>	<u>21,708</u>

The company has no directly employed personnel

3. Profit on ordinary activities before taxation

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<i>Profit on ordinary activities before taxation is</i>		
<i>Stated after charging</i>		
Auditors Remuneration,		
- Audit Fees	11,075	7,500
- Other services – payable to entities related to Baker Tilly UK Audit LLP	4,165	3,250
	<u>15,240</u>	<u>10,750</u>

4. Interest receivable

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
On deposits	152	6,304
On finance lease debtor	2,862,328	1,267,807
	<u>2,862,480</u>	<u>1,274,111</u>

5. Interest payable and similar charges

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
On Equity Bridge Loan and bank fees	-	47,958
On bank loan	2,400,432	1,702,206
On sub-debt loan from parent company	540,843	465,972
	<u>2,941,275</u>	<u>2,216,136</u>

Notes – 31 March 2011

(forming part of the accounts)

6. Tax on profit and Ordinary Activities

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
a) Analysis of charge in period		
Current Tax		
UK Corporation tax on profits of the period	-	1,324
Group relief receivable	4,913	-
	<hr/>	<hr/>
Total current tax (per note (b))	4,913	1,324
Deferred Tax		
Losses	15,713	44,993
Effect of change of tax rate on opening balances	(3,928)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	16,698	46,317
	<hr/>	<hr/>
b) Factors affecting tax charge for the period		
The tax assessed for the period differs from the small companies rate of corporation tax 21% (2010 28%)		
The differences are explained as follows		
Profit/(Loss) on ordinary activities multiplied by the standard rate of 21%	16,698	46,317
Losses carried forward	-	(44,993)
Tax losses utilised	(11,785)	-
	<hr/>	<hr/>
Current tax charge for the period (note (a))	4,913	1,324
	<hr/>	<hr/>
Deferred Taxation		
The deferred tax asset which has been recognised in the accounts is as follows		
Trade losses	-	(11,785)
	<hr/>	<hr/>
	-	(11,785)
	<hr/>	<hr/>

7. Finance lease debtor

The finance lease debtor includes capitalised interest of £2,954,154 (2010 £2,954,154)

Notes – 31 March 2011

(forming part of the accounts)

8. Debtors

	As at 31 March 2011 £	As at 31 March 2010 £
Prepayments	74,111	357,085
Trade debtors	4,905	7,344
Deferred Tax Asset	-	11,785
	<hr/> 79,016 <hr/>	<hr/> 376,214 <hr/>

9. Creditors : amounts falling due within one year

	As at 31 March 2011 £	As at 31 March 2010 £
Trade creditors	316,066	29,200
Accruals	421,352	849,502
Inter-Company Creditor	156,364	144,122
Bank loan repayable in less than one year	1,267,950	1,185,180
Loan arrangement fee	(20,900)	(23,949)
Corporation tax creditor	-	1,323
VAT creditor	180,945	204,222
Other creditors	1,323	-
	<hr/> 2,323,100 <hr/>	<hr/> 2,389,600 <hr/>

Notes – 31 March 2011

(forming part of the accounts)

10. Creditors : amounts falling after more than one year

	As at 31 March 2011 £	As at 31 March 2010 £
Bank loan at fixed rate, repayable in instalments commencing March 2011	40,226,174	41,494,124
FRS 4 Arrangement Fees	(318,762)	(320,425)
Sub debt loan repayable in more than one year	4,153,250	4,148,963
	<hr/> 44,060,662 <hr/>	<hr/> 45,322,662 <hr/>
The maturity of debt is as follows		
In one year or less or on demand	1,247,050	1,161,231
Between one year and two years	1,199,574	1,244,531
Between two years and five years	4,245,197	4,153,785
In five years or more	38,615,890	39,924,345
	<hr/> 45,307,711 <hr/>	<hr/> 46,483,892 <hr/>

The bank loan is repayable, by bi-annual instalments over 23 years commencing March 2011 and ending March 2033. The loan bears an interest rate of 5.77% p.a.

The loan from the parent company, formerly an Equity Bridge Loan, was converted to a Subordinated Debt Loan on 31 May 2009. The remaining loan as at 31 March 2011 is repayable over 4 years commencing in September 2032. The loan is unsecured and currently bears an interest rate of 13% p.a.

Bank loans are secured by a floating charge over the assets of the company, an assignment of the Project Accounts, the contract rights and a fixed charge in respect of the hedging agreement of the company. In addition the bank holds a Parent Security Agreement incorporating a floating charge over the assets of the ultimate parent company, Leicester BSF Holdings Company 1 Limited. Under the agreement the parent company pledges as security its interest in the shares and shareholders loans.

Notes – 31 March 2011

(forming part of the accounts)

11. Share Capital

	As at 31 March 2011	As at 31 March 2010
	£	£
Authorised, Allotted, called up and fully paid 100,000 Ordinary £1 shares	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

12. Profit and Loss account

	As at 31 March 2011	As at 31 March 2010
		£
Loss carried forward for the financial period	(39,353)	(213,594)
Profit for the year	62,816	174,241
	<u>23,463</u>	<u>(39,353)</u>

13. Reconciliation of movement in shareholder funds

	As at 31 March 2011	As at 31 March 2010
	£	£
Opening shareholder funds	60,647	(113,594)
Profit for period	62,816	174,241
	<u>123,463</u>	<u>60,647</u>

14. Reconciliation of Operating Profit to Operating Cashflows

	As at 31 March 2011	As at 31 March 2010
	£	£
Operating profit	158,309	1,162,583
Decrease in Debtors	1,633,522	30,443
(Decrease)/Increase in Creditors	(157,230)	500,043
	<u>1,634,601</u>	<u>1,693,069</u>

Notes – 31 March 2011

(forming part of the accounts)

Analysis of Cash flows for headings netted in the Cash Flow statement

Returns on Investments and Servicing of Finance.

	As at 31 March 2011 £	As at 31 March 2010 £
Interest received	2,862,480	1,274,111
Interest paid	(2,941,275)	(2,216,136)
	<u>(78,795)</u>	<u>(942,025)</u>

Capital Expenditure and Financial Investment

	As at 31 March 2011 £	As at 31 March 2010 £
Construction payments	-	127,868
	<u>-</u>	<u>127,868</u>

Financing

	As at 31 March 2011 £	As at 31 March 2010 £
Debt received in the year	-	1,103,058
Capital repayments made in the year	(1,176,180)	(727,929)
	<u>(1,176,180)</u>	<u>375,129</u>

15. Analysis of Net Debt

	At 1 April 2010 £	Cashflows £	Non Cashflows £	At 31 March 2011 £
Cash	1,436,649	379,626	-	1,816,275
Debt Due in less than one year	(1,161,231)	(85,819)	-	(1,247,050)
Debt due in more than one year	(45,322,662)	1,262,000	-	(44,060,662)
Net Debt	<u>(45,047,244)</u>	<u>1,555,807</u>	<u>-</u>	<u>(43,491,437)</u>

Notes – 31 March 2011

(forming part of the accounts)

16. Transactions with Related Parties

All of the following related parties that transacted with Leicester BSF Company 1 Limited are significant shareholders of the parent company Leicester BSF Holdings Company 1 Limited

Leicester BSF Holdings Company 1 Ltd, the parent company, has an equity investment of £100,000 (2010 £100,000). The company previously provided Leicester BSF Company 1 with an inter company loan. At the year end the amount outstanding was £4,148,963 (2010 £4,148,963). Interest of £540,842 (2010 £ 513,929) was payable in the year to Leicester BSF Holdings Company 1 Ltd in respect of sub-debt.

During the year, Miller Construction (UK) Ltd invoiced £nil in respect of construction & professional services (2010 £432,354). At the end of the year £nil was owed to Miller Construction (UK) Ltd for professional services (2010 £nil).

During the year £185,117 (2010 £228,971) was payable to Leicester Miller Education Limited in respect of management services. At the year end £156,364 (2010 £144,122) was payable to Leicester Miller Education Company Limited in respect of VAT as a result of the group VAT registration and group relief.

During the year Directors fees of £21,984 (2010 £21,708) were payable to Semperian PPP Investment Partners Ltd, on behalf of G4S JV 2 Limited, an investor in Leicester BSF Holdings Company 1 Limited.

17. Capital Commitments

At the 31 March 2011 Leicester BSF Company 1 Limited had capital commitments totalling £nil (2010 £nil).

18. Ultimate parent company

The company's ultimate parent company is Miller Consortium Leicester Ltd, which is registered and incorporated in Great Britain.