Company Registration No 6261439

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements and auditor's report for the year ended 31 December 2011

Principal Activities and Business Review

The Company is a holding Company whose sole business is the holding of an investment in its wholly-owned subsidiaries Transform Schools (Knowsley) Limited and Transform Schools (Knowsley) Intermediate Limited

On 13 December 2007, Transform Schools (Knowsley) Limited entered into a Private Finance Initiative (PFI) concession contract with Knowsley Metropolitan Borough Council (the Council) to design, build, finance and provide services within seven secondary schools The concession contract finishes on 31 August 2034

The Directors do not expect any significant change in the Company's activities in the following financial year However, on 18 May 2011, a variation to the original concession contract was finalised and this will provide the Council with a Special Educational Needs Facility until 31 August 2034

Results and Dividends

The results for the year are set out on Page 6 The loss for the year after taxation amounted to £392,000 (2010 loss £21,000) The Directors do not propose to pay any dividend in respect of the period ended 31 December 2011 (2010 £Nil)

Key performance indicators

The key performance indicators for the Group are

- schools became available on the scheduled date, and
- the net cash flow is in line with (or better) than forecast

As at 31 December 2011, the construction programme was complete on the seven original schools and construction is underway on the Special Education Needs Facility

As at 31 December 2011, the net cash outflow before financing was £124 7m, compared to a forecast value of £129 5m The variance is due to a timing difference which is expected to reverse over the course of the project

Going Concern

The Directors believe that future economic benefits will cover the obligations that arose from the financing of the construction of the project for the Council

The Directors have also considered the ability of the Council to continue to pay the unitary fees, due under the concession contract, to the Group and do not consider this to be a material risk The Group's forecasts and projections, taking into account reasonable counterparty performance, show the Group expects to be able to continue to operate for the full term of the concession

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing their annual report and financial statements

Financial Risk Management

The financial risks which the Group is exposed to are Credit risk, Interest rate risk and Liquidity risk and Contractual relationships

Credit risk
The Group's credit risk is primarily attributable to its trade receivables each of which arise from it's primary client, the Council The credit and cash flow risks are not considered significant as the client is a local government organisation

Interest rate risk
The financial risk management objectives of the Group are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions Financial instruments are not used for speculative purposes Interest rate swaps are in place between 2007 and 2034 for notional principal amounts equating to the full value of the expected bank debt that is at a variable rate of interest to give an effective fixed interest rate payable on this debt

Liquidity risk
The Group's liquidity risk is principally managed through financing the Group by means of long term borrowings, with an amortisation profile that matches the expected availability of funds from the Group's operating activities In addition the Group maintain reserve bank accounts to provide short-term liquidity against future debt service and other expenditure requirements

Contractual relationships
The Group operates within a contractual relationship with its primary customer, the Council Impairment of this relationship could lead to a breach of contract that would have an effect on the Group Consequently, to manage this risk, the Group has regular meetings with the Council, including discussions on performance, project processes, future plans and customer requirements In accordance with the Concession Agreement, the Group is responsible for constructing and providing services within the schools, which if not provided could have a detrimental impact upon the Group

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED
DIRECTOR'S REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

Supplier payment policy

The Group's policy is to pay suppliers 30 days from the date of receipt of the supplier's agreed invoice, unless otherwise contractually agreed, and this policy is made known to all suppliers on request Trade Creditors of the Group at 31 December 2011 were equivalent to 14 days purchases (2010 36 days)

Directors

The following persons were Directors of the Company during the year

G L Buckley
L Gladwell (appointed 6 January 2012)
K V Walker
H M Wills (resigned 6 January 2012)

Directors' Indemnities

The Company has made qualifying third-party idemnity provisions for the benefit of its Directors which remain in force at the date of this report

Directors' Share Interests

No Director had any interest in the issued share capital of the Company or other Group company at 31 December 2011 (2010 £Nil)

Political and Charitable Contributions

During the year the Group made £Nil (2010 £Nil) charitable or political contributions

Registered Office

The Company's Registered Office is 6th Floor, 350 Euston Road, Regent's Place, London, NW1 3AX

Provision of Information to Auditors

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

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(ii) the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an AGM

By Order of the Board,

G L Buckley
Director
26 June 2012
Registered Office 6th Floor, 350 Euston Road, Regent's Place, London NW1 3AX

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 Group 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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED

We have audited the financial statements of Transform Schools (Knowsley) Holdings Limited for the year ended 31 December 2011, which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes numbered 1 to 19 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 explained more fully in the Directors' Responsibilities Statement, 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

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

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 and of the Group's loss 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 matters 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

Andrew J Kelly FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

Date: 26/6/12

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group 2011 £'000	Group 2010 £'000
Turnover	2	**4,921**	20,707
Cost of sales		**(4,982)**	(18,917)
Gross profit		**(61)**	1,790
Admin expenses		**(555)**	(1,607)
Operating (loss) / profit	3	**(616)**	183
Finance costs (net)	4	**82**	(212)
Loss on ordinary activities before taxation		**(534)**	(29)
Tax on profit on ordinary activities	5	**142**	8
Loss on ordinary activities after taxation	14	**(392)**	(21)

All the Group's activities were derived from continuing operations in the United Kingdom

There were no recognised gains or losses for the current and preceding year other than those stated in the profit and loss account above, consequently no statement of total recognised gains and losses is presented

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED
BALANCE SHEET
AT 31 DECEMBER 2011

Company Registration No 6261439

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Investments	7(a)	**-**	-	**50**	50
		-	-	**50**	50
Current assets					
Investments	7(b)	**5,757**	9,350	**-**	-
Construction work in progress	8	**8,866**	-	**-**	-
Debtors - due within one year	9	**3,129**	545	**-**	-
Debtors - finance debtor due within one year	10	**16,385**	16,311	**-**	-
Cash at bank and in hand		**434**	457	**-**	-
		34,571	26,663	**-**	-
Debtors - finance debtor due after more than one year	10	**153,740**	158,453	**-**	-
		188,311	185,116	**-**	-
Current liabilities					
Creditors amounts falling due within one year	11	**(13,443)**	(11,901)	**-**	-
Net current assets		**174,868**	173,215	**-**	-
Total assets less current liabilities		**174,868**	173,215	**50**	50
Creditors amounts falling due after more than one year					
Borrowings	12	**(174,675)**	(172,630)	**-**	-
Net assets		**193**	585	**50**	50
Capital and reserves					
Called-up share capital	13	**50**	50	**50**	50
Profit and loss account	14	**143**	535	**-**	-
Shareholders' funds	15	**193**	585	**50**	50

These financial statements of Transform Schools (Knowsley) Holdings Limited were approved by the Board of Directors and authorised for issued on 26 June 2012 They were signed on its behalf by

G L Buckley
Director

TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	16(a)	4,696	17,947
Returns on investment and servicing of finance			
Interest received		31	16
Interest and fees paid		(12,536)	(12,098)
		(12,505)	(12,082)
Tax received / (paid)		4	(354)
Cash outflow before use of liquid resources and financing		(7,805)	5,511
Management of liquid resources			
Decrease / (increase) in current asset investments		3,593	(8,350)
		3,593	(8,350)
Financing			
(Decrease) /increase in unsecured subordinated loan stock		(237)	14,952
Drawdown/(Repayment) of equity bridge loan		1,628	(15,209)
Increase in secured senior loans		2,798	2,937
		4,189	2,680
Decrease in cash	16(c)	(23)	(159)

1 Accounting policies

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

a) Basis of preparation
The financial statements have been prepared in accordance with applicable law and United Kingdom accounting standards and under the historical cost convention They include the result of the activities described in the Directors report, all of which are continuing

b) Going concern
The current economic conditions create some general uncertainty The Directors have reviewed the Group s supply chain and do not believe that any specific risk has been identified The Directors have also considered the ability of the Council to continue to pay unitary fees due under the concession contract to the Group and do not consider this to be a material risk As at the end of the period the Company recorded a loss for the year After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future The Directors have reviewed long term forecasts which show that the concession will be profitable and in a net asset position over the life of the project Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

c) Group financial statements basis of consolidation
The Group financial statements include the financial statements of the Company and of its Subsidiary undertakings for the year ended 31 December 2011 All intercompany balances transactions and profits are eliminated on consolidation

d) Investments
Investments in the subsidiary undertakings are stated at cost less impairment The carrying value of investments is reviewed annually by the Directors to determine whether there has been any impairment

e) Turnover
Turnover which is stated net of value added tax, represents amounts invoiced for services provided in the year It has been determined in accordance with FRS 5 Application Note F "Private Finance Initiative and Similar Contracts" that the balance of risks and rewards derived from the underlying asset is not borne by the Group Accordingly the asset created under the contract is accounted for as an finance debtor

f) Finance debtor
The finance debtor recorded is equal to the amounts due for the fair value of the property The finance debtor is reduced in subsequent years as payments are received Revenues received from Knowsley Metropolitan Borough Council are apportioned between capital repayments and operating revenue The "finance income" element of the capital repayment is shown within interest receivable The remaining payments being the full amounts received less the capital repayment and the imputed finance charge are recorded within operating profit

g) Taxation
Current 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 tax is provided in full on timing differences which 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 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

h) Construction work in progress
All construction costs including the capitalised interest on finance up to the date of commission and incidental costs are recorded as construction work in progress

i) Capital instruments
Finance costs in relation to bank loans are recognised at a constant rate in accordance with the carrying value of those loans Bank loans are initially stated at the amount of the net proceeds after deduction of arrangement fees The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in that year

j) Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if they are not included in shareholders' funds The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated over the term of the instrument

k) Finance costs
Finance costs are capitalised during the construction phase of the contract and will be amortised over the period of the concession The finance costs on the debt are recognised at a constant rate in accordance with the value of the debt Finance costs are expensed during the operational stage

l) Derivative financial instruments
The Company uses derivative financial instruments to manage its exposure to changes in interest rates These transactions are accounted for on an accruals basis The Company does not hold or issue derivative financial instruments for speculative purposes

In order to hedge against interest rate variations on the loans the Company has entered into interest rate swap agreements whereby the Company has agreed to exchange at agreed intervals with its bankers sums reflecting the difference between floating and fixed interest rates calculated on a predetermined notional principal amount The fair value of the interest rate swaps at 31 December 2011 was a liability of £46 728 787 (2010 £25,696 170) Market value has been used to determine the fair value

m) Liquid resources
Liquid resources comprises current asset investments held as readily disposable investments They are readily convertible into known amounts of cash at or close to, their carrying value The investments are carried at cost or net realisable value Net realisable value is based on mid-market price

n) Bank debt policy
Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs Finance charges including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

2 Turnover

	Group	
Turnover by origin and destination from the Group's principal activity	2011 £'000	2010 £'000
United Kingdom	4,921	20 707

3 Operating loss

	Group	
	2011	2010
Operating loss is stated after charging	£'000	£'000
Fees for tax compliance (not paid to Deloitte LLP)	14	6
Auditors' remuneration for Subsidiary audit	16	14
Auditors remuneration for Company audit	1	1

The audit fee for the Company was borne by Transform Schools (Knowsley) Limited in the current year and preceding year

The Directors received no salary in the performance of their duties in either the current or preceding year The Group had no employees in the current year or preceding year All costs of the Directors and other staff are borne by the shareholders of the ultimate parent company who second their employees to the Group

4 Finance costs (net)

	Group	
	2011 £ 000	2010 £'000
Bank interest receivable	31	16
Interest receivable on finance debtor	11,938	11 310
Interest receivable and similar income	11,969	11 326
Interest and fees payable on secured senior loan	(3,229)	(2 534)
Interest rate swap	(6,496)	(7 325)
Interest on Subordinated debt	(2,261)	(1 648)
Amortisation of loan arrangement fees	(227)	(182)
Interest payable and similar charges	(12 213)	(11 689)
Less amounts capitalised	326	151
Finance costs (net)	82	(212)

5 Taxation

The tax charge is based on the loss for the period at an effective taxation rate of 26 5% (2010 28%)

	Group	
	2011 £'000	2010 £'000
Tax charge	142	8
	142	8

Tax reconciliation

	2011 £ 000	2010 £ 000
Loss on ordinary activities before taxation	(534)	(29)
Loss on ordinary activities multiplied by an effective rate of corporation tax in the UK of 26 5%	142	8
Current tax charge for the year	142	8

A reduction in the mainstream UK tax rate of 28% to 26% effective from 1 April 2011 was enacted in the Finance Act 2011 resulting in an average Corporation tax rate of 26 5% A further reduction to the effective rate from 1 April 2012 was also enacted in the Finance Act in July 2011

The Finance Bill 2012 contains an additional reduction in the mainstream Corporation tax rate from 25% to 24%, effective 1 April 2012 and to 23% effective 1 April 2013 This change has not been substantially enacted in Law at the Balance sheet date and therefore is not relevant to these Financial Statements

6 Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of the Company Transform Schools (Knowsley) Holdings Limited was £Nil (2010 £Nil) As permitted by section 408 of the Companies Act 2006 no separate profit and loss account is presented in respect of the Company

7 Investments

		Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Shares in subsidiary undertaking	[a]	-	-	50	50
Short-term deposits	[b]	5,757	9 350	-	-
		5,757	9 350	50	50

[a] Shares in subsidiary undertaking

Cost	Group 2011	Group 2010	Company 2011	Company 2010
At 1 January	-	-	50	50
Additions	-	-	-	-
At 31 December	-	-	50	50

Principal subsidiary undertakings
The Parent Company has investments in the following subsidiary undertakings

Name	Transform Schools (Knowsley) Limited	
Activity	PFI Concession Company	
Country of incorporation	Great Britain	
Shareholding	99 8%	ordinary shares

Name	Transform Schools (Knowsley) Intermediate Limited	
Activity	PFI Concession Company	
Country of incorporation	Great Britain	
Shareholding	100%	ordinary shares

Transform Schools (Knowsley) Intermediate Limited holds the remaining 0 2% of the shareholding in Transform Schools (Knowsley) Limited

[b] Short term deposits

Shown as	Group 2011 £ 000	Group 2010 £ 000	Company 2011 £'000	Company 2010 £'000
Current asset	5,757	9 350	-	-
	5,757	9 350	-	-

Investments held as current assets represent amounts held on deposit with a financial institution which are not available for withdrawal without penalty in under 24 hours

8 Construction work in progress

	Group 2011 £ 000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
At 1 January	-	6 957	-	-
Interest payable and other financing costs	326	151	-	-
Construction and related costs	8,540	6 021	-	-
Lifecycle additions	14	-	-	-
Transferred to finance debtor	(14)	(13 129)	-	-
At 31 December	8,866	-	-	-

9 Debtors - due within one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade debtors	2,496	270	-	-
VAT debtor	110	-	-	-
Corporation tax debtor	125	-	-	-
Deferred tax asset	155	142	-	-
Prepayments	70	9	-	-
Accrued income	173	124	-	-
	3,129	545	-	-

10 Debtors - finance debtor

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At 1 January	174,764	165,590	-	-
Transferred from work in progress	14	13 129	-	-
Variations	-	61	-	-
Less Council income received in the year	(16,591)	(15,326)	-	-
Add Interest income accruing	11,938	11 310	-	-
At 31 December	170,125	174 764	-	-

Included in the finance debtor is an amount of £153 740 000 (2010 £158 453 000) due after more than one year Included in the above debtor is an amount of £8,997 000 (2010 £8 997 000 which relates to Capital Interest

11 Creditors amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£ 000	£'000
Trade creditors	398	883	-	-
Construction creditor	986	-	-	-
Accruals	2,542	2 648	-	-
Senior secured loan	4,718	4 487	-	-
Accrued interest	2,908	2 968		
Subordinated debt	263	237	-	-
VAT liability	-	678	-	-
Equity bridge loan	1,628	-	-	-
	13,443	11 901	-	-

12 Creditors amounts falling due after more than one year

	Group		Company	
Borrowings	2011	2010	2011	2010
	£ 000	£'000	£'000	£'000
Senior secured loan	163,117	160 550	-	-
Subordinated debt	14,452	14 715	-	-
Less arrangement fees	(2,894)	(2 635)	-	-
	174,675	172 630	-	-

	Group		Company	
Borrowings repayable as follows	2011	2010	2011	2010
	£'000	£ 000	£'000	£'000
Between one and two years	5,321	4 981	-	-
Between two and five years	18,415	15 797	-	-
After five years	153,833	154 487	-	-
Less arrangement fees	(2,894)	(2 635)	-	-
	174,675	172 630	-	-

The secured senior loans represent amounts borrowed by the Group under facility agreements with banks The loans bear interest at a margin over LIBOR and are repayable in instalments between 2010 and 2034 The loans are secured by fixed and floating charges over the undertaking property assets and rights of the Group and have certain covenants attached
The secured subordinated loan stock is issued by the Company to its shareholders The loan stock bears interest at a rate of 10% above RPIx and is repayable in instalments between 2010 and 2034 It is secured by second fixed and floating charges over the undertaking property assets and rights of the Parent Company

13 Called up share capital

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Authorised issued and fully paid share capital				
25 050 'A' shares of £1 each	25	25	25	25
25 050 'B' shares of £1 each	25	25	25	25
	50	50	50	50

In all respects the 'A' and 'B' shares rank pari passu but shall constitute separate classes of share

14 Profit and loss account

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Profit and loss account				
At 1 January	535	556	-	-
Loss for the year	(392)	(21)	-	-
At 31 December	143	535	-	-

15 Reconciliation of movements in shareholders' funds

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Opening shareholders funds	585	606	50	50
Loss for the year	(392)	(21)	-	-
Closing shareholders funds	193	585	50	50

16 (a) Reconciliation of operating profit to net cash outflow from operating activities

	Group 2011 £'000	Group 2010 £'000
Operating (loss) / profit	(616)	183
(Increase) / decrease in construction work in progress	(8,540)	7,108
(Increase) / decrease in debtors	(2,446)	5 761
Decrease in finance debtor	16,577	2 136
Increase in creditors	(279)	2 759
Net cash inflow from operating activities	4,696	17 947

16 (b) Analysis and reconciliation of net debt

	At 1 January 2011 £'000	Cash flow £'000	Other non cash changes £'000	At 31 December 2011 £'000
Cash at bank and in hand	457	(23)	-	434
Secured senior loans	(162,402)	(2,798)	259	(164,941)
Current asset investments	9,350	(3,593)	-	5,757
Equity bridge	-	(1,628)	-	(1,628)
Unsecured subordinated loan stock	(14,952)	237	-	(14,715)
	(167,547)	(7,805)	259	(175,093)

16 (c) Reconciliation of net cash flow to movement in net debt

	Group	
	2011	2010
	£ 000	£'000
Decrease in cash	(23)	(159)
Cash (inflow) / outflow from secured senior loans	(2,798)	12 272
Cash outflow / (inflow) from unsecured subordinated loan stock	237	(14 952)
Cash inflow from equity bridge	(1,628)	-
Cash (inflow) / outflow from liquid resources	(3,593)	8 350
Change in net debt resulting from cash flows	(7,805)	5 511
Other non-cash changes	259	(212)
Movement of net debt in the period	(7,546)	5 299
Net debt as at 31 December	(167,547)	(172 846)
Net debt as at 1 January	(175,093)	(167 547)

17 Capital commitments

	Group		Company	
	2011	2010	2011	2010
	£'000	£ 000	£'000	£'000
Contracted but not provided fo'	7,726	178	-	-

18 Related party transactions

During the year the value of work certified as complete under contracts between the Company's subsidiary and subsidiaries of Balfour Beatty plc for the construction and refurbishment of schools and the provision of services within schools was £9 810 894 (2010 £14 065 870) of which amounts accrued as at 31 December 2011 totalled £538 535 (2010 £973 912) and the debtor amount outstanding totalled £11,402 (2010 £12 900)

Staff are seconded to the Group from subsidiaries of Balfour Beatty plc Amounts payable for their services and associated costs during the year totalled £870 656 (2010 £678 241) Amounts accrued at 31 December 2011 totalled £492 576 (2010 £662 481)

19 Controlling party

The ultimate controlling party is Balfour Beatty plc and the Company is controlled by Balfour Beatty Infrastructure Investments Limited

The results of Transform Schools (Knowsley) Holdings Limited are consolidated in Balfour Beatty plc Copies of the financial statements are available from the registered office at 130 Wilton Road London SW1V 1LQ