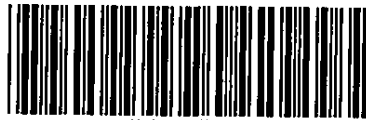


Registered number  
06261439

**TRANSFORM SCHOOLS (KNOWSLEY) HOLDINGS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Transform Schools (Knowsley) Holdings Limited**  
**Report and Financial Statements**  
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## **Transform Schools (Knowsley) Holdings Limited**

**Registered number:** 06261439

### **Directors' Report**

**for the year ended 31 December 2012**

The Directors have pleasure in presenting their annual report together with the audited Financial Statements and Auditors' report for the year ended 31 December 2012

#### **Principal Activities**

The Company is a holding company whose sole business is the holding of an investment in its wholly owned subsidiary Transform Schools (Knowsley) Limited, together 'the Group'

On 13 December 2007, Transform Schools (Knowsley) Limited, entered into a Private Finance Initiative (PFI) concession contract with Knowsley Metropolitan Borough Council to design, build or refurbish, finance and provide services within seven secondary schools and a Special Educational Needs facility. The contract end date is 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 £57,000 (2011: £392,000). The Directors do not propose to pay a dividend in respect of the year ended 31 December 2012 (2011: 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 2012, the construction programme was complete on the seven original schools and construction was 95% complete on the Special Educational Needs Facility.

#### **Going Concern**

The Directors do not expect any significant change to the Company's activities to occur in the following financial year.

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

The Directors have also considered the ability of Knowsley Metropolitan Borough Council (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 reasonably possible counterparty performance, show that 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 in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

#### **Financial Risk Management**

The financial risks which the Group is exposed to are credit risk, interest rate risk, liquidity risk and contractual relationships.

## **Transform Schools (Knowsley) Holdings Limited**

**Registered number:** 06261439

### **Directors' Report**

**for the year ended 31 December 2012**

#### *Credit risk*

The Group's credit risk is primarily attributable to its trade receivables, each of which arise from its primary client, Knowsley Metropolitan Borough 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 objective of the Group is 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 maintains 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, Knowsley Metropolitan Borough Council. Impairment of this relationship could have an impact upon the Group and lead to a breach of contract. Consequently, to manage this risk, the Group has regular meetings with Knowsley Metropolitan Borough 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.

#### **Directors**

The following persons served as Directors 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 Group has made qualifying third party indemnity 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 Group or other Group Company at 31 December 2012 (2011 Nil).

#### **Political and Charitable Donations**

During the year the Group made £Nil (2011 £Nil) charitable or political contributions.

**Transform Schools (Knowsley) Holdings Limited**

**Registered number:** 06261439

**Directors' Report**

**for the year ended 31 December 2012**

**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 the end of the financial year were equivalent to 4 days purchases (2011: 14 days).

**Registered Office**

The Group'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

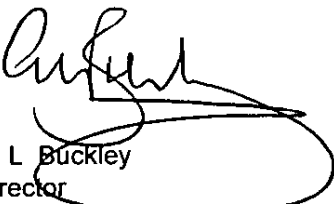
(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(ii) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that 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 Annual General Meeting.

This report was approved by the board on 21 June 2013 and signed on its behalf

  
G L Buckley  
Director

*Registered Office: 6th Floor, 350 Euston Road, Regent's Place, London, NW1 3AX*

## **Transform Schools (Knowsley) Holdings Limited**

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and 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 accounts 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 these accounts, 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 accounts,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

**Transform Schools (Knowsley) Holdings Limited**  
**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 2012 which comprise the Group Profit and Loss Account, the Parent Company Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. 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 Auditors' 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 Statement of Directors' Responsibilities, 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 accounts 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's and the 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 of 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 & parent company affairs as at 31 December 2012 and of its 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**  
**Accountants and Statutory Auditors**  
**London, United Kingdom**

**21 June 2013**

**Transform Schools (Knowsley) Holdings Limited**  
**Consolidated Profit and Loss Account**  
**for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
<b>Turnover</b>	2	22,787	4,921
Cost of sales		(22,032)	(4,982)
<b>Gross profit/(loss)</b>		<u>755</u>	<u>(61)</u>
Administrative expenses		(814)	(555)
<b>Operating loss</b>	3	<u>(59)</u>	<u>(616)</u>
Net finance (cost)/ income	4	(14)	82
<b>Loss on ordinary activities before taxation</b>		<u>(73)</u>	<u>(534)</u>
Taxation on loss on ordinary activities	5	16	142
<b>Loss on ordinary activities after taxation</b>	16,17	<u><u>(57)</u></u>	<u><u>(392)</u></u>

**Continuing operations**

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

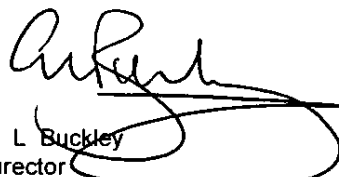
**Statement of total recognised gains and losses**

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

**Transform Schools (Knowsley) Holdings Limited**  
**Balance Sheet**  
**as at 31 December 2012**

	Notes	Group		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Fixed assets</b>					
Investments	7	-	-	50	50
		-	-	50	50
<b>Current assets</b>					
Debtors due within one year	8	1,010	2,974	-	-
Work in progress	9	1,393	8,866	-	-
Deferred tax due within one year	10	29	-	-	-
Debtors - finance debtor due within one year	11	18,530	16,385	-	-
Investments	7	588	5,757	-	-
Cash at bank and in hand		8,805	434	-	-
		<u>30,355</u>	<u>34,416</u>	-	-
Deferred tax due after more than one year	10	142	155	-	-
Debtors - finance debtor due after more than one year	11	162,755	153,740	-	-
<b>Creditors amounts falling due within one year</b>	12	(12,259)	(13,443)	-	-
<b>Net current assets</b>		<u>180,993</u>	<u>174,868</u>	<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		180,993	174,868	50	50
<b>Creditors amounts falling due after more than one year</b>					
Borrowings	13	(165,049)	(160,223)	-	-
Loan stock	14	(15,808)	(14,452)	-	-
<b>Net assets</b>		<u>136</u>	<u>193</u>	<u>50</u>	<u>50</u>
<b>Capital and reserves</b>					
Called up share capital	15	50	50	50	50
Profit and loss account	16	86	143	-	-
<b>Shareholders' funds</b>	17	<u>136</u>	<u>193</u>	<u>50</u>	<u>50</u>

The Financial Statements of Transform Schools (Knowsley) Holdings Limited were approved by the board of Directors and authorised for issue on 21 June 2013 they were signed on it's behalf by -

  
G L Buckley  
Director

Company registration number: 06261439

**Transform Schools (Knowsley) Holdings Limited**  
**Group Cash Flow Statement**  
**for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
<b>Reconciliation of operating loss to net cash inflow from operating activities</b>			
Operating loss		(59)	(616)
(Increase) / decrease in construction work in progress		8,226	(8,540)
(Increase) / decrease in debtors		1,838	(2,446)
Increase / (decrease) in creditors		(159)	(279)
(Increase) / decrease in finance debtor		1,652	16,577
<b>Net cash inflow from operating activities</b>		<b>11,498</b>	<b>4,696</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		28	31
Interest and fees paid		(13,174)	(12,536)
		<b>(13,146)</b>	<b>(12,505)</b>
<b>Taxation paid</b>		<b>126</b>	<b>4</b>
		<b>(1,522)</b>	<b>(7,805)</b>
<b>Management of liquid resources</b>			
Decrease in current asset investments		5,169	3,593
<b>Financing</b>			
Increase in secured senior loans		4,987	2,798
(Repayment)/drawdown in equity bridge loan		(1,628)	1,628
Increase/(decrease) in loan stock		1,365	(237)
<b>Increase/(decrease) in cash</b>		<b>8,371</b>	<b>(23)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash in the period		8,371	(23)
Inflow from secured senior loans		(4,987)	(2,798)
(Inflow)/outflow from loan stock		(1,365)	237
Outflow/(inflow) from equity bridge		1,628	(1,628)
Inflow from current asset investments		(5,169)	(3,593)
Change in net debt resulting from cash flows	19	(1,522)	(7,805)
Other non-cash changes		(181)	259
<b>Change in net debt</b>		<b>(1,703)</b>	<b>(7,546)</b>
<b>Net debt at 1 January</b>	19	<b>(175,093)</b>	<b>(167,547)</b>
<b>Net debt at 31 December</b>	19	<b>(176,796)</b>	<b>(175,093)</b>

**Transform Schools (Knowsley) Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2012**

**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, is set out below

*a) Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. 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. The Group's forecasts and projection, taking account of reasonably possible 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 Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Although the Company has made losses in 2012 and 2011, there is long term financing in place to fund construction and long term forecasts show that the concession will be profitable over the life of the project.

*c) Group financial statements basis of consolidation*

The Group Financial Statements include Financial Statements of the Company and of its Subsidiary undertaking for the year ended 31 December 2012. 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 represents the value, net of value added tax and discounts, of services provided in the year to customers after the repayment of the finance debtor and interest imputed on this debtor. The Group has adopted the provision of FRS 5 application note F "private finance initiative and similar contracts". It has been determined in accordance with this that the balance of risks and rewards derived from the underlying asset are not borne by the Group and therefore the asset created under the contract will be accounted for as a finance debtor upon completion. Revenues received from the customer are apportioned between capital repayments and operating revenue. The "finance income" element of the capital repayment is shown within interest receivable. Income is deferred where payment is received from the customer in advance of the performance of the related services.

**Transform Schools (Knowsley) Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2012**

**1 Accounting policies (continued)**

*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 charges, are recorded within operating revenue.

*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 Group 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 are 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.

**Transform Schools (Knowsley) Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2012**

**1 Accounting policies (continued)**

*l) Derivative financial instruments*

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

In order to hedge against interest rate variations on the loans the Group's subsidiary has entered into interest rate swap agreements, whereby the subsidiary 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 2012 was a liability of £49,775,479 (2011 £46,728,787). 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.

<b>2 Turnover</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Turnover by origin and destination from the Group's principal activity		
United Kingdom	22,787	4,921
	<b>22,787</b>	<b>4,921</b>

<b>3 Operating loss</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
This is stated after charging		
Auditor's remuneration for audit services	16	17
Auditor's remuneration for Company audit	1	1

The Directors received no salary in the performance of their duties during the current or preceding year. Director's fees of £24,000 are paid by the Group to the shareholders (2011 £20,000). The Group had no employees in the current or preceding year. All other costs of the Directors and other staff are borne by the shareholders of the ultimate parent companies, who second their employees to the Group.

**Transform Schools (Knowsley) Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2012**

<b>4 Net finance (cost)/income</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	28	31
Interest receivable on the finance debtor	11,812	11,938
Interest receivable and similar income	<u>11,840</u>	<u>11,969</u>
Interest and fees payable on secured senior loan	(3,373)	(3,229)
Interest rate swap	(6,833)	(6,496)
Interest payable on secured subordinated loan stock	(2,125)	(2,261)
Amortisation of loan arrangement costs	(276)	(227)
Interest payable and similar charges	<u>(12,607)</u>	<u>(12,213)</u>
Less amounts capitalised	753	326
Net finance (cost)/income	<u><b>(14)</b></u>	<u><b>82</b></u>

**5 Taxation**

The tax charge is based on the profit for the period at an effective tax rate of 24.5% (2011: 26.5%)

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of charge in period</b>		
UK corporation tax on profits of the period	(18)	(142)
Deferred tax - Current year	2	-
Tax on loss on ordinary activities	<u><b>(16)</b></u>	<u><b>(142)</b></u>

**Factors affecting tax charge for period**

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before tax	<u>(73)</u>	<u>(534)</u>
Standard rate of corporation tax in the UK	24.5%	26.5%
Loss on ordinary activities multiplied by the standard rate of corporation tax	(18)	(142)
Effects of		
Change in tax rate on opening deferred tax asset	2	-
Current tax charge for period	<u><b>(16)</b></u>	<u><b>(142)</b></u>

**Transform Schools (Knowsley) Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2012**

**5 Taxation (continued)**

**Factors that may affect future tax charges**

A reduction in the mainstream UK tax rate of 26% to 24%, effective from 1 April 2012, was substantively enacted in the Finance Act 2012 and as such a blended rate of 24.5% has been used for the calculation of current tax in 2012. A further reduction in the main UK tax rate to 23% from 1 April 2013 was also enacted in the Finance Act in July 2012.

Additional changes were announced in the 2012 Autumn Statement to reduce the main rate to 21% from 1 April 2014 and in the March 2013 Budget Statement to further reduce the main rate to 20% from 1 April 2015. These further changes have not been substantively enacted at the Balance Sheet date and therefore are not included in 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 (2011: £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		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Shares in subsidiary undertaking	-	-	50	50
Short-term deposits	588	5,757	-	-
	<b>588</b>	<b>5,757</b>	<b>50</b>	<b>50</b>
<b>Shares in subsidiary undertaking</b>				
At 1 January	-	-	50	50
Additions	-	-	-	-
At 31 December	<b>-</b>	<b>-</b>	<b>50</b>	<b>50</b>

*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	The United Kingdom
Shareholding	99.8% ordinary shares
Name	Transform Schools (Knowsley) Intermediate Limited
Activity	PFI Concession Company
Country of incorporation	The United Kingdom
Shareholding	100% ordinary shares

Transform Schools (Knowsley) Intermediate Limited holds the remaining 0.2% of the shareholding in Transform Schools (Knowsley) Limited.

**Transform Schools (Knowsley) Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2012**

7 Investments (continued)	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Short-term deposits</b>				
Current assets	588	5,757	-	-
	<b>588</b>	<b>5,757</b>	<b>-</b>	<b>-</b>

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. These include £588,000 (2011 £407,000) of restricted cash held in Major Maintenance reserve accounts under the terms of the senior loan facility and is not available in the day to day running of the Company.

8 Debtors - due within one year	Group	
	2012 £'000	2011 £'000
Trade debtors	637	2,496
Prepayments	59	70
Accrued income	314	173
VAT debtor	-	110
Corporation tax	-	125
	<b>1,010</b>	<b>2,974</b>

9 Construction work in progress	Group	
	2012 £'000	2011 £'000
At 1 January	8,866	-
Interest payable and Other financing costs	1,762	326
Construction and related costs	7,299	8,540
Lifecycle costs	123	14
Transferred to the finance debtor	(16,657)	(14)
At 31 December	<b>1,393</b>	<b>8,866</b>

10 Deferred tax	Group	
	2012 £'000	2011 £'000
At 1 January	155	8
Current year movement	18	142
Effect of change in tax rate on opening asset	(2)	-
Adjustments in respect of prior periods	-	5
At 31 December	<b>171</b>	<b>155</b>

The deferred tax asset relates entirely to tax losses brought forwards. The Directors have assessed the recoverability of the deferred tax asset and believe that based on current forecasts, sufficient future taxable profits will be generated against which these losses can be used. The element that is expected to be recovered in 2013 has been disclosed as current on the balance sheet.

**Transform Schools (Knowsley) Holdings Limited**  
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<b>11 Finance debtor</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	170,125	174,764
Transferred from work in progress	16,657	14
Interest income	11,812	11,938
Council income received in the year	(17,309)	(16,591)
At 31 December	<b>181,285</b>	<b>170,125</b>

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 charges, are recorded within operating revenue.

<b>12 Creditors amounts falling due within one year</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Construction creditor	28	986
VAT creditor	445	-
Secured senior loan	5,060	4,718
Loan stock	272	263
Accruals and deferred income	2,605	2,336
Subordinated loan stock interest	558	572
Trade creditors	1,246	398
Other creditors	2,045	2,542
Equity bridge loan	-	1,628
	<b>12,259</b>	<b>13,443</b>

<b>13 Creditors amounts falling due after more than one year</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Secured senior loan	167,762	163,117
Less Arrangement fee	(2,713)	(2,894)
	<b>165,049</b>	<b>160,223</b>
Borrowings are repayable in the following periods		
Between one and two years	5,350	5,074
Between two and five years	17,680	17,449
After five years	144,732	140,594
Less Arrangement fee	(2,713)	(2,894)
	<b>165,049</b>	<b>160,223</b>

The secured senior loans represent amounts borrowed by the Group under a facility agreement 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.

**Transform Schools (Knowsley) Holdings Limited**  
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<b>14 Creditors amounts falling due after more than one year</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Loan stock	15,808	14,452
	<b>15,808</b>	<b>14,452</b>
Loan stock is repayable in the following periods		
Between one and two years	289	246
Between two and five years	1,103	967
After five years	14,416	13,239
	<b>15,808</b>	<b>14,452</b>

The secured subordinated loan stock has been subscribed by Transform Schools (Knowsley) Holdings Limited. The loan stock bears interest at a rate of 10.0% 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 Company.

<b>15 Called up share capital</b>	<b>Group and Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<i>Authorised, issued and fully paid share capital</i>		
25,050 "A" shares of £1 each	25	25
25,050 "B" shares of £1 each	25	25
	<b>50</b>	<b>50</b>

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

<b>16 Profit and loss account</b>	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January	143	535	-	-
Loss for the financial year	(57)	(392)	-	-
Dividends	-	-	-	-
At 31 December	<b>86</b>	<b>143</b>	<b>-</b>	<b>-</b>

**17 Reconciliation of movement in shareholders' funds**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January	193	585	50	50
Loss for the financial year	(57)	(392)	-	-
Dividends	-	-	-	-
At 31 December	<b>136</b>	<b>193</b>	<b>50</b>	<b>50</b>

**Transform Schools (Knowsley) Holdings Limited**  
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<b>18 Capital commitments</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Amounts contracted for but not provided in the accounts	<u>520</u>	<u>7,726</u>

**19 Reconciliation of net cash flow to movement in net debt**

	<b>At 1 January 2012 £'000</b>	<b>Cash flow £'000</b>	<b>Other non cash changes £'000</b>	<b>At 31 December 2012 £'000</b>
Cash at bank	434	8,371	-	8,805
Current asset Investments	5,757	(5,169)	-	588
Secured senior loans	(164,941)	(4,987)	(181)	(170,109)
Equity bridge	(1,628)	1,628	-	-
Unsecured subordinated loan stock	(14,715)	(1,365)	-	(16,080)
	<u>(175,093)</u>	<u>(1,522)</u>	<u>(181)</u>	<u>(176,796)</u>

**20 Controlling party**

The ultimate controlling party is Balfour Beatty plc and the Company is directly 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

**21 Related party transactions**

As a wholly-owned subsidiary of Balfour Beatty plc, the Group has taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing related party transactions with Balfour Beatty Group companies within these financial statements