

**Report of the Directors and
Financial Statements
for the year ended 31 December 2012
for
BSFI Leisure Limited**

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BSFI Leisure Limited (Registered number: 06573612)

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for the year ended 31 December 2012**

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BSFI Leisure Limited

Company Information for the year ended 31 December 2012

DIRECTORS

G J Frost
M J Gregory
N R Singleton

SECRETARY

Ms A E Woods

REGISTERED OFFICE

Two London Bridge
London
SE1 9RA

REGISTERED NUMBER

06573612 (England and Wales)

SENIOR STATUTORY AUDITOR:

Lloyd Brown

AUDITORS

Ernst & Young LLP
Statutory Auditor
London

BSFI Leisure Limited (Registered number: 06573612)

Report of the Directors for the year ended 31 December 2012

The directors present their report with the financial statements of the company for the year ended 31 December 2012

The comparative information presented covers a period of nine months from 1 April 2011 to 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of subordinated debt to an entity which is involved in the design, construction, finance and operation of a leisure project in Leeds that is being procured by Leeds City Council through Environments for Learning Leeds PFI Three Limited

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk affecting the company is the performance of Environments for Learning Leeds PFI Three Limited as this generates its revenue. The immediate risk to the company of Environments for Learning Leeds PFI Three Limited under performing is a decline in revenues, and, long-term, the risk that the company cannot meet its liabilities as they fall due.

REVIEW OF BUSINESS

The company made a profit of £18,326 (2011 £11,126). The level of profit and the year end financial position were in line with budgets and expectations.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011 £nil).

FUTURE DEVELOPMENTS

The directors do not expect any significant developments in the nature of the company's activities outside the ordinary course of the business for the foreseeable future.

GOING CONCERN

After making enquiries and having taken into account the long-term contracts in place in relation to the company's revenue, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence by meeting its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

G J Frost
M J Gregory
N R Singleton

BSFI Leisure Limited (Registered number: 06573612)

Report of the Directors for the year ended 31 December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 these financial statements, the directors are required to

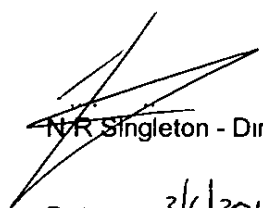
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the company's auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

ON BEHALF OF THE BOARD.


N.R. Singleton - Director
Date 3/6/2013

Independent Auditor's Report to the Members of BSFI Leisure Limited

We have audited the financial statements of BSFI Leisure Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and related notes 1 to 13. 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 explained more fully in the Statement of Directors' Responsibilities set out on page 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 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 Report of the Directors 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 financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

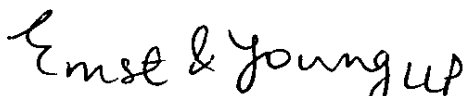
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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.



Lloyd Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London

Date

3/6/2013

BSFI Leisure Limited (Registered number: 06573612)

Profit and Loss Account for the year ended 31 December 2012

	Notes	Year ended 31/12/12 £	Period 1/4/11 to 31/12/11 £
TURNOVER		-	-
Administrative expenses		<u>(33)</u>	<u>3,158</u>
OPERATING (LOSS)/PROFIT	3	(33)	3,158
Interest receivable and similar income		28,977	22,158
Income from fixed asset investments		<u>6,700</u>	<u>-</u>
		35,644	25,316
Interest payable and similar charges	4	<u>(13,356)</u>	<u>(10,281)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		22,288	15,035
Tax on profit on ordinary activities	5	<u>(3,962)</u>	<u>(3,909)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>18,326</u>	<u>11,126</u>

CONTINUING OPERATIONS

All items in the above statement derive from continuing operations

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous period as stated above

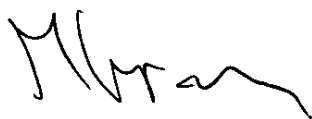
BSFI Leisure Limited (Registered number: 06573612)**Balance Sheet
31 December 2012**

	Notes	2012 £	2011 £
FIXED ASSETS			
Investments	6	250	250
CURRENT ASSETS			
Debtors	7	228,928	240,381
Cash at bank		<u>41,047</u>	<u>10,792</u>
		269,975	251,173
CREDITORS			
Amounts falling due within one year	8	<u>(16,294)</u>	<u>(11,972)</u>
NET CURRENT ASSETS		<u>253,681</u>	<u>239,201</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		253,931	239,451
CREDITORS			
Amounts falling due after more than one year	9	<u>(218,317)</u>	<u>(222,163)</u>
NET ASSETS		<u>35,614</u>	<u>17,288</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	<u>35,613</u>	<u>17,287</u>
SHAREHOLDER'S FUNDS	13	<u>35,614</u>	<u>17,288</u>

The financial statements were approved by the Board of Directors on
signed on its behalf by

03/06/2013

and were



M J Gregory - Director

BSFI Leisure Limited (Registered number: 06573612)

Notes to the Financial Statements for the year ended 31 December 2012

1 ACCOUNTING POLICIES

Accounting convention

These financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom

Going Concern

After making enquiries and having taken into account the long-term contracts in place in relation to the company's revenue, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence by meeting its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable interest rate

Loans Receivable

Loans receivable are recorded at the actual amounts paid. Interest incomes are accounted for on an accrual basis in the profit or loss account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not received in the period in which they arise

Loans Payable

Intercompany loans are recorded at the proceeds received. Finance charges, including premium payable on settlement, are accounted for on an accrual basis in the profit or loss account using the effective interest rate 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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions have occurred at that date that will result in an obligation to pay more, or a right to pay less tax or to receive more tax, with the following exception

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of International Public Partnerships Limited and is therefore included in its consolidated financial statements, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company has taken advantage of the exemption in Financial Reporting Standard 8, paragraph 3c not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party of the transactions are wholly owned by the ultimate controlling parent

Investments

Investments are stated at cost less provision for any impairment in value

2 STAFF COSTS

The company has no employees and hence there were no staff costs for the year ended 31 December 2012 (2011: £nil)

BSFI Leisure Limited (Registered number: 06573612)

Notes to the Financial Statements - continued for the year ended 31 December 2012

3 OPERATING (LOSS)/PROFIT

The directors received no salary, fees or other benefits in the performance of their duties in respect of their services to the company (31 December 2011: £nil). The audit fee for the company was borne by Building Schools for Future Investments LLP, BSFI Leisure Limited's immediate parent company.

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31/12/12 £	Period 1/4/11 to 31/12/11 £
Interest on intercompany loan	<u>13,356</u>	<u>10,281</u>

5 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	Year ended 31/12/12 £	Period 1/4/11 to 31/12/11 £
Current tax		
UK corporation tax	<u>3,962</u>	<u>3,909</u>
Tax on profit on ordinary activities	<u>3,962</u>	<u>3,909</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	Year ended 31/12/12 £	Period 1/4/11 to 31/12/11 £
Profit on ordinary activities before tax	<u>22,288</u>	<u>15,035</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 - 26%)	5,461	3,909
Effects of Non-taxable dividend income	(1,642)	-
Prior year adjustment	<u>143</u>	<u>-</u>
Current tax charge	<u>3,962</u>	<u>3,909</u>

BSFI Leisure Limited (Registered number: 06573612)

Notes to the Financial Statements - continued for the year ended 31 December 2012

5 TAXATION - continued

Factors that may affect future tax charges

The UK corporation tax rate reduced to 24% from April 2012 and to 23% from April 2013. A further 2% reduction was proposed in the December 2012 Autumn Statement, taking the rate to 21% by April 2014. In addition, a further 1% reduction was proposed in the March 2013 budget, taking the rate to 20% by April 2015. As at the balance sheet date, only the first 1% tax reduction from April 2013 had been "substantively enacted" and hence in accordance with accounting standards, it is only the impact of this 1% reduction that has been reflected in the company's financial statements as at 31 December 2012. The rate changes will impact the amount of future tax payments to be made by the company.

6 FIXED ASSET INVESTMENTS

	£
COST	
At 1 January 2012	250
At 31 December 2012	<u>250</u>
NET BOOK VALUE	
At 31 December 2012	<u>250</u>
At 31 December 2011	<u>250</u>

Fixed assets investments comprise equity shares at cost. Legal entity name, country of incorporation and proportion of ownership interest are noted below.

	Country of Incorporation	Nature of Business Holding Company	Ownership
Environments for Learning Leeds Holdco Three Limited	UK		10%

7 DEBTORS

	2012 £	2011 £
Amounts falling due within one year		
Amounts owed by fixed asset investments	10,858	10,561
Other debtors	-	7,904
	<u>10,858</u>	<u>18,465</u>
Amounts falling due after more than one year		
Amounts owed by fixed asset investments	<u>218,070</u>	<u>221,916</u>
Aggregate amounts	<u>228,928</u>	<u>240,381</u>

Amounts due from fixed assets investments represents loans to Environments for Learning Leeds PFI Three Limited and are interest bearing at 13% and are repaid over a fixed loan profile over the remaining life of the contracts.

BSFI Leisure Limited (Registered number: 06573612)

Notes to the Financial Statements - continued for the year ended 31 December 2012

8 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Amounts owed to group undertakings	6,948	6,588
Corporation tax	9,345	5,383
Preference shares	<u>1</u>	<u>1</u>
	<u>16,294</u>	<u>11,972</u>

In accordance with the article of association the holder of the preference share may call on the company at any time prior to 12 July 2026 to redeem the share at par

The preferred ordinary share entitles the bearer to be paid by way of distributions an amount equal to all profits and other distribution received by the Company which are Leeds Leisure Profits. On winding up of the company the bearer of the preferred share is entitled to repayment of the capital paid up on the preference share in priority to repayment of capital to other members of the company and to be entitled to all remaining Leeds Leisure Profits. The bearer also has right to attend, speak and vote at all general meetings, each preference share entitles the bearer to one vote. The preference share entitles the holder to appoint, from time to time, a director whether as an additional director, or to fill a vacancy and to also remove any such person from office.

9 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012	2011
	£	£
Amounts owed to group undertakings	<u>218,317</u>	<u>222,163</u>

Amounts owed to group undertakings are due to Building Schools for the Future Investments LLP. £250 of this balance is non-interest bearing provided to fund the investment in equity in Environments for Learning Leeds Holdco Three Limited. The remaining being interest bearing at 6% and is repaid over a fixed loan profile over the remaining life of the contract.

	2012	2011
	£	£
Wholly repayable within two to five years	9,006	11,474
Not wholly repayable within five years	<u>209,311</u>	<u>210,689</u>
Total	<u>218,317</u>	<u>222,163</u>

10 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2012	2011
		£1	£	£
1	Ordinary shares		<u>1</u>	<u>1</u>
			<u>1</u>	<u>1</u>

BSFI Leisure Limited (Registered number: 06573612)

Notes to the Financial Statements - continued for the year ended 31 December 2012

11 RESERVES

	Profit and loss account £
At 1 January 2012	17,287
Profit for the year	<u>18,326</u>
At 31 December 2012	<u>35,613</u>

12 ULTIMATE PARENT COMPANY

The directors regard Building Schools for the Future Investments LLP, incorporated in England and Wales as the immediate parent undertaking and controlling party and International Public Partnerships Limited a company registered in Guernsey as the ultimate parent undertaking and controlling party. Copies of the consolidated financial statements of International Public Partnerships Limited which include the company, can be obtained from Heritage International Fund Managers Limited, Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey GY1 4HY.

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 £	2011 £
Profit for the financial year	<u>18,326</u>	<u>11,126</u>
Net addition to shareholder's funds	18,326	11,126
Opening shareholder's funds	<u>17,288</u>	<u>6,162</u>
Closing shareholder's funds	<u>35,614</u>	<u>17,288</u>