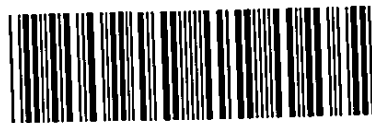


Leicester BSF Company 2 Limited

Directors' Report and Financial Statements

For the year ended 31 March 2013
Registered Number 07713782

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Directors' Report and Financial Statements

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Directors' Report

The Directors present their report and audited financial statements for the year ended 31 March 2013

Principal activity, review of business and future developments

The company was incorporated on 21 July 2011

The principal activity of the company is to design, build, finance and maintain school buildings in the Leicester area under a PFI contract with Leicester City Council. Financial Close was reached on 30 March 2012 and the construction of two schools has been on-going throughout the year.

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

The company considers that its main risks and uncertainties relate to ensuring that the construction programme is completed on time.

Results and dividend

The results for the year are set out in the attached Profit and Loss Account. The loss for the year before taxation is £64,760. The directors do not recommend payment of a dividend.

Directors

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

P Harris
C Elliott
B Ravi Kumar
S Burton
M Baxter (Alternate Director)
M Bourne (Alternate Director)
R Taylor (Alternate Director)
H Pownall (Alternate Director)
N English (resigned 1/8/2012)
D Blanchard (appointed 1/8/2012, resigned 28/6/2013)
S Ramesh Shah (appointed 28/6/2013)
F Jordan (appointed 01/11/2012)
C Sharpe (appointed 15/03/2012)

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

On behalf of the board



P Harris, Director

Date

18/9/13

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- 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, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICESTER BSF COMPANY 2 LIMITED

We have audited the financial statements of Leicester BSF Company 2 Limited for the year ended 31 March 2013 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. 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 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 March 2013 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICESTER BSF COMPANY 2 LIMITED (continued)

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



Alastair Rae (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh
United Kingdom

25 September 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Profit and Loss Account
for the year ended 31 March 2013

	<i>Note</i>	Year ended 31 March 2013	Period ended 31 March 2012
		£	£
Turnover	1	29,225,802	7,765,416
Cost of sales		(29,215,802)	(7,765,416)
Gross profit		10,000	-
Administrative expenses		(75,205)	(3,600)
Operating loss	3	(65,205)	(3,600)
Interest receivable		445	-
Interest payable		-	-
Loss on ordinary activities before taxation		(64,760)	(3,600)
Taxation on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	9	(64,760)	(3,600)

None of the company's activities were acquired or discontinued during the year

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

The notes on pages 8 to 14 form part of these financial statements

Balance Sheet
As at 31 March 2013

	Note	As at 31 March 2013 £	As at 31 March 2012 £
Current Assets			
Amounts recoverable on long term contracts		37,004,018	7,765,416
Debtors	5	707,444	5,561,787
Cash at bank and in hand		6,135,091	5,447,197
		<u>43,846,553</u>	<u>18,774,400</u>
Creditors amounts falling due within one year	6	(8,050,843)	(9,133,188)
Net Current Assets		<u>35,795,710</u>	<u>9,641,212</u>
Total Assets less Current Liabilities		<u>35,795,710</u>	<u>9,641,212</u>
Creditors amounts falling due after more than one year	7	(35,814,070)	(9,594,812)
Net (liabilities) / assets		<u>(18,360)</u>	<u>46,400</u>
Capital and reserves			
Called up share capital	8	50,000	50,000
Profit and loss account	9	(68,360)	(3,600)
Equity shareholders' funds	10	<u>(18,360)</u>	<u>46,400</u>

The notes on pages 8 to 14 form part of these financial statements

The financial statements on pages 5 to 14 were approved by the board of directors and authorised for issue on 18/9/13 and are signed on its behalf by



P Harris, Director

18/9/13 Date

Registered Number 07713782

Cashflow Statement
for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £	Period ended 31 March 2012 £
Net cash flow from operating activities	11	(30,158,442)	(4,114,312)
Returns on investment & servicing of finance		445	-
Cash outflow before financing		(30,157,997)	(4,114,312)
Financing	11	30,845,891	9,561,509
Increase in cash in year/period		687,894	5,447,197

Reconciliation of net cash flow to movement of net debt

	Year ended 31 March 2013 £	Period ended 31 March 2012 £
Increase in cash in the year/period	687,894	5,447,197
Change in net debt resulting from cash flows	(30,845,891)	(9,561,509)
Increase in net debt in the year/period	(30,157,997)	(4,114,312)
Net debt at 1 April 2012	(4,114,312)	-
Net debt at 31 March 2013	(34,272,309)	(4,114,312)

The notes on pages 8 to 14 form part of these financial statements

Notes – for the year ended 31 March 2013

(forming part of the accounts)

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historic cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Going concern

The company financial statements have been prepared on a going concern basis on the assumption that ongoing support will be received from Leicester BSF Holdings Company 2 Limited, the parent company, and the company's bankers, and the current expectation that the PFI project in which the company is participating in will be profitable in the future. The Directors believe that this support will continue and are satisfied as to the expectation of the future profitability of the project

Turnover

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

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Capital instruments

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

Amounts recoverable on long term contracts

During the construction phase of the project SSAP 9 "Stocks and Long Term Contracts" principles have been applied. As such any costs incurred are shown as amounts recoverable on long term contracts

This work is valued at the lower of cost and net realisable value. Costs include overheads appropriate to the stage of construction. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Finance costs have been capitalised to the extent that they relate to the construction period. Finance costs of £1,200,590 (2012: £nil) have been capitalised within amounts recoverable on long term contracts

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

Notes – for the year ended 31 March 2013

(forming part of the accounts)

1. Accounting policies (continued)

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

2. Directors' remuneration

	Year ended 31 March 2013 £	Period ended 31 March 2012 £
Amounts paid to third parties in consideration for services of directors	64,886	-
	<u>64,886</u>	<u>-</u>

3. Operating loss

	Year ended 31 March 2013 £	Period ended 31 March 2012 £
<i>The operating loss is stated after charging Auditor's remuneration,</i>		
- Audit fees	5,025	2,200
- Other services	1,850	1,400
	<u>6,875</u>	<u>3,600</u>

Notes – for the year ended 31 March 2013
(forming part of the accounts)

4. Tax on loss on ordinary activities

	Year ended 31 March 2013 £	Period ended 31 March 2012 £
a) Analysis of charge in year/period		
Current tax		
UK corporation tax on profits of the year/period	-	-
Group relief receivable	-	-
	<hr/>	<hr/>
Total current tax (per note (b))	-	-
Deferred Tax		
Losses	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>
b) Factors affecting tax charge for the period		
The tax assessed for the year/period differs from the standard rate of corporation tax of 24% (2012 26%)		
The differences are explained as follows		
Profit/(loss) on ordinary activities multiplied by the standard rate of 24% (2012 26%)	(15,542)	(720)
Losses carried forward	15,542	720
	<hr/>	<hr/>
Current tax charge for the year/ period (note (a))	-	-
	<hr/>	<hr/>

5. Debtors: amounts falling due in less than one year

	As at 31 March 2013 £	As at 31 March 2012 £
VAT debtor	703,834	1,365,475
Amounts held in solicitors account	-	4,196,312
Intercompany debtor	3,610	-
	<hr/>	<hr/>
	707,444	5,561,787
	<hr/>	<hr/>

Notes – for the year ended 31 March 2013

(forming part of the accounts)

6 Creditors: amounts falling due within one year

	As at 31 March 2013 £	As at 31 March 2012 £
Trade creditors	3,427,361	9,041,620
Accruals	30,152	124,871
Senior debt	487,289	-
Senior debt arrangement fee	(24,798)	(19,303)
Equity bridge loan debt	4,146,312	(14,000)
Equity bridge arrangement fee	(15,473)	-
	<u>8,050,843</u>	<u>9,133,188</u>

7. Creditors: amounts falling after more than one year

	As at 31 March 2013 £	As at 31 March 2012 £
Bank loan at fixed rate	36,249,985	5,939,773
Senior debt arrangement fee	(435,915)	(463,272)
Equity bridge debt	-	4,146,311
Equity bridge arrangement fee	-	(28,000)
	<u>35,814,070</u>	<u>9,594,812</u>
The maturity of debt is as follows		
In one year or less or on demand	4,593,330	(33,303)
Between one year and two years	2,819,240	434,683
Between two years and five years	4,688,710	9,526,887
In five years or more	28,306,120	(366,758)
	<u>40,407,400</u>	<u>9,561,509</u>

The bank loan is repayable, by quarterly instalments over 23 years commencing 31 December 2013 and ending March 2037. The loan bears an interest rate of 4.76% p.a.

The equity bridge loan from the parent company bears an interest rate of 8.75% and is repayable in October 2013 at which point it will convert to a subordinated debt loan with an interest rate of 13% p.a.

Bank loans are secured by a floating charge over the assets of the company, an assignment of the Project Accounts, the contract rights. In addition the bank holds a Parent Security Agreement incorporating a floating charge over the assets of the parent company, Leicester BSF Holdings Company 2 Limited. Under the agreement the parent company pledges as security its interest in the shares and shareholder loans.

Notes – for the year ended 31 March 2013

(forming part of the accounts)

8. Share capital

	As at 31 March 2013	As at 31 March 2012
	£	£
Authorised, allotted, called up 50,000 Ordinary £1 shares	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

9. Profit and Loss account

	As at 31 March 2013	As at 31 March 2012
	£	£
At 1 April	(3,600)	-
Loss for the year/period	(64,760)	(3,600)
	<u>(68,360)</u>	<u>(3,600)</u>
At 31 March	(68,360)	(3,600)

10. Reconciliation of movement in shareholder funds

	As at 31 March 2013	As at 31 March 2012
	£	£
Opening shareholder funds	46,400	-
Issue of share capital in the year/period	-	50,000
Loss for the year/period	(64,760)	(3,600)
	<u>(18,360)</u>	<u>46,400</u>
Closing shareholder funds	(18,360)	46,400

11. Reconciliation of operating loss to operating cashflows

	Year ended 31 March 2013	Period ended 31 March 2012
	£	£
Operating loss	(65,205)	(3,600)
Decrease / (Increase) in debtors	4,854,343	(5,511,787)
(Decrease) / Increase in creditors	(5,708,978)	9,166,491
Increase in amounts recoverable on contracts	(29,238,602)	(7,765,416)
	<u>(30,158,442)</u>	<u>(4,114,312)</u>

Notes – for the year ended 31 March 2013

(forming part of the accounts)

Analysis of cash flows for headings netted in the cashflow statement

Financing

	Year ended 31 March 2013	Period ended 31 March 2012
	£	£
New loans received in the year	30,845,891	9,561,509
	<u>30,845,891</u>	<u>9,561,509</u>

12 Analysis of net debt

	At 1 April 2012	Cashflows	Non Cashflows	At 31 March 2013
	£	£	£	£
Cash	5,447,197	687,894	-	6,135,091
Debt due in less than one year	19,303	(4,612,633)	-	(4,593,330)
Debt due in more than one year	(9,580,812)	(26,233,258)	-	(35,814,070)
Net debt	<u>(4,114,312)</u>	<u>(30,157,997)</u>	<u>-</u>	<u>(34,272,309)</u>

Notes – for the period ended 31 March 2013

(forming part of the accounts)

13. Transactions with related parties

During the year, Leicester BSF Holdings Company 2 Limited, the parent company, provided an equity bridge loan of £nil (2012 £4,146,312). An arrangement fee of £nil (2012 £42,000) was payable in respect of this loan. The amount outstanding at the end of the year was £4,146,312 (2012 £4,146,312). Interest of £343,008 (2012 £nil) was payable by the company to Leicester BSF Holdings Company 2 Limited in the year in respect of this loan.

During the year directors' fees of £6,489 (2012 £nil) were payable to Building Schools for the Future Investments LLP, a shareholder in Leicester BSF Company 2 Holdings Limited. The amount outstanding at the end of the year was £6,489 (2012 £nil).

During the year directors' fees of £6,489 (2012 £nil) were payable to Leicester City Council, a shareholder in Leicester BSF Company 2 Holdings Limited. The amount outstanding at the end of the year was £6,489 (2012 £nil).

All of the following related parties that transacted with Leicester BSF Company 2 Limited are fellow group members of the shareholders of the ultimate parent company Miller Consortium Leicester Limited:

During the year £31,361,302 (2012 £4,483,891) was payable to Miller Construction (UK) Limited in respect of construction services and £nil (2012 £480,000) was payable in respect of set up fees. Directors' fees of £25,954 (2012 £nil) were payable to Miller Construction (UK) Limited during the year. The amount owed to Miller Construction (UK) Limited at the end of the year was £3,258,511 (2012 £4,980,691).

During the year £nil (2012 £480,000) was payable to Semperian PPP Investment Partners Limited in respect of set up fees. Directors' fees of £25,954 (2012 £nil) were payable to Semperian PPP Investment Partners Limited during the year. The amount owed to Semperian PPP Investment Partners Limited at the end of the year was £nil (2012 £480,000).

During the year project management fees of £nil (2012 £1,564,131) were payable to Leicester Miller Education Company Limited, a fellow group company. Fees of £1,205,839 (2012 £nil) were payable to Leicester Miller Education Company Limited in respect of Management Services provided. The amount outstanding at the end of the year was £3,610 refund due from Leicester Miller Education Company Limited (2012 £1,564,131 payable to Leicester Miller Education Company Limited).

14. Ultimate parent company and controlling party

The company's ultimate parent company is Miller Consortium Leicester Limited, which is registered and incorporated in Great Britain. There is no ultimate controlling party.