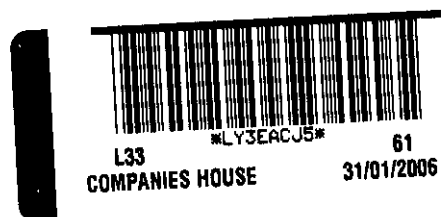


Company Registration No. 03773791

NewSchools (Penweddig) Limited

Report and Financial Statements

Year Ended 31 March 2005



NewSchools (Penweddig) Limited

Report and financial statements

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NewSchools (Penweddig) Limited

Report and financial statements

Officers and professional advisers

Directors

A Finegan
N G Williams
L McCormack
C Best
S Yazdabadi
I Hudson

Company secretary

R Webster

Registered office

Woodcote Grove
Ashley Road
Epsom
Surrey
KT18 5BW

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Principal bankers

National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

NewSchools (Penweddig) Limited

Report of directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2005.

Principal trading activities, business review and future prospects

The principal activity of the Company is to design, build, finance and operate a new secondary school in Aberystwyth in accordance with a 30 year contract with Cyngor Sir Ceredigion.

Contract negotiations were successfully completed in September 1999 and construction commenced immediately. The school was completed in December 2000 and became operational with effect from 22 December 2000.

The directors do not foresee any changes to the activities of the Company in the future.

Results and dividends

The profit for the year after tax was £8,000 (2004: £226,000). The directors do not recommend the payment of a dividend (2004 - £nil).

Directors and their interests

The following directors served throughout the year under review, except as noted:

A Finegan
N G Williams
L McCormack (appointed 14 April 2004)
R F McGlynn (resigned 14 April 2004)
M A Fernandes (resigned 20 September 2004)
M Campion
L Esau

Following the year end M Campion resigned and C best was appointed on 1 April 2005. L Esau resigned on 10 June 2005. S Potter was appointed on 10 June 2005 and resigned on 20 September 2005. I Hudson was appointed on 29 August 2005 and S Yazdabai was appointed on 22 September 2005.

None of the directors has or had held at any time during the year any interest in the share capital of the Company or any other group company.

No director has a service contract or receives any remuneration from the Company. No director has or has held during the year any personal interests in any significant or material contract with the Company.

Directors' Responsibilities

The board of directors is responsible to the shareholders for all aspects of the Company's performance and meets on a regular basis to review the strategic direction of the Company and monitor performance against an approved business plan and budget.

The directors are required by company law in England and Wales to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year.

The directors are also required to select suitable accounting policies and apply them consistently, to make reasonable and prudent judgements and estimates and to prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The directors are responsible for keeping proper accounting records, which with reasonable accuracy disclose at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have responsibility for the system of internal control, for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors have access to the advice and services of the Company Secretary who is responsible for ensuring that board procedures and applicable rules and regulations are observed.

NewSchools (Penweddig) Limited

Report of directors (continued)

Contributions for charitable and political purposes

The Company made no political or charitable donations during the current or prior year.

Auditors

A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



R Webster
Company secretary

10 DECEMBER 2005

Woodcote Grove
Ashley Road
Epsom
Surrey
KT18 5BW

**Independent Auditors' report to the members of
NewSchools (Penweddig) Limited**

We have audited the financial statements of NewSchools (Penweddig) Limited for the year ended 31 March 2005 which comprise the profit and loss account, the statement of movement in reserves, the reconciliation of movements in equity shareholders' funds, the balance sheet, the cash flow statement, and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

21 December 2005

Profit and loss account
Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Turnover	1,2	1,646	1,721
Cost of sales		(385)	(452)
Gross profit		1,261	1,269
Administrative expenses		(176)	(133)
Operating profit	3	1,085	1,136
Interest payable	6	(895)	(891)
Interest receivable	7	50	35
Profit on ordinary activities before taxation		240	280
Tax on profit on ordinary activities	8	(236)	(54)
Retained profit on ordinary activities after taxation for the financial year		4	226

All gains and losses are recognised in the profit and loss account for both the current and prior year, accordingly no statement of total recognised gains and losses is required.

All items in the profit and loss account relate to continuing operations.

NewSchools (Penweddig) Limited

Statement of movement in reserves For the year ended 31 March 2005

	2005 £'000	2004 £'000
Profit and loss account brought forward at 1 April	616	390
Retained profit for the year	<u>4</u>	<u>226</u>
Profit and loss account carried forward at 31 March	<u><u>620</u></u>	<u><u>616</u></u>

Reconciliation of movement in equity shareholders' funds For the year ended 31 March 2005

	2005 £'000	2004 £'000
Profit for the year	<u>4</u>	<u>226</u>
Net movement in equity shareholders' funds	4	226
Opening equity shareholders' funds as at 1 April	617	391
Closing equity shareholders' funds as at 31 March	<u><u>621</u></u>	<u><u>617</u></u>

NewSchools (Penweddig) Limited

Balance sheet As at 31 March 2005

	Note	2005 £'000	2004 £'000
Current assets			
Debtors:			
amounts falling due within one year	10	435	347
amounts falling due after more than one year	10	10,696	10,841
Investments in short term deposits		314	1,350
Cash at bank and in hand		1,406	46
		<u>12,851</u>	<u>12,584</u>
Creditors: amounts falling due within one year	11a	<u>(1,689)</u>	<u>(1,113)</u>
Net current assets		<u>11,162</u>	<u>11,471</u>
Creditors: amounts falling due after more than one year	11b	(10,129)	(10,543)
Provision for liabilities and charges	12	<u>(412)</u>	<u>(311)</u>
Net assets		<u>621</u>	<u>617</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account		620	616
Equity shareholders' funds		<u>621</u>	<u>617</u>

The financial statements were approved by the Board of Directors on 20 December 2005 and were signed on its behalf by:



A Finegan
Director



L McCormack
Director

NewSchools (Penweddig) Limited

Cash flow statement

For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	13	1,408	1,383
Returns on investments and servicing of finance:			
Interest received		38	34
Interest paid		(714)	(745)
		(676)	(711)
Taxation		(7)	(5)
Net cash inflow before use of liquid resources and financing		725	667
Management of liquid resources			
Cash withdrawn from/ (invested in) short term deposits		1,036	(500)
Financing			
Loans			
Repayments of secured loans		(401)	(401)
Increase/(decrease) in cash in the year	14, 15	1,360	(234)

**Notes to the accounts
for the year ended 31 March 2005**

1. Accounting policies

These financial statements have been prepared in accordance with applicable United Kingdom law and Accounting Standards and the Companies Act 1985. A summary of the principal accounting policies which have been consistently applied throughout the current and prior years, are shown below.

Basis of accounting

These financial statements are prepared under the historical cost convention.

Accounting for PFI Contracts

Under the terms of the contract substantially all the risks and rewards of ownership of the property remain with the Cyngor Sir Ceredigion. The underlying asset is therefore not an asset of the Company under FRS5: Reporting the Substance of Transactions, Application Note F.

During the period of construction, all costs incurred as a direct consequence of financing, designing and constructing the school, including finance costs are shown as work in progress.

At the end of the construction period credit is taken for the sale which is recorded within turnover as "construction revenue" and a finance debtor equivalent to the amount recoverable within work in progress is created. The construction expenditure and associated costs are reallocated to cost of sales.

During the operating phase, revenues received from the Council are apportioned between:

- Capital repayment;
- Finance income; and
- Operating revenue.

As part of its obligations to Cyngor Sir Ceredigion, the company has a programme of "life cycle" expenditure for the maintenance of the school. In recognition of this obligation the company has created a lifecycle expenditure provision, to record the difference between the annual anticipated charge for maintenance and that actually incurred.

Taxation

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 which are included in the 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.

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.

Derivative financial instruments

The Company holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract.

Current Investments

Current asset investments are stated at the lower of cost and net realisable value.

NewSchools (Penweddig) Limited

Notes to the accounts for the year ended 31 March 2005

2. Turnover

	2005 £'000	2004 £'000
Turnover in the year is analysed as follows:		
Operating revenue	818	892
Third party revenue	7	5
Interest receivable on PFI Debtor	816	824
Other income	5	-
Total	<u>1,646</u>	<u>1,721</u>

All turnover relates to operating activities carried out in the United Kingdom.

3. Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Auditor's remuneration:-		
Audit fees	9	8
Other services	<u>7</u>	<u>5</u>

4. Emoluments of directors

The directors did not receive any remuneration for their services to the Company during either the current or previous year.

	2005 £'000	2004 £'000
Amounts payable to third parties in respect of the services of directors	<u>21</u>	<u>21</u>

5. Staff numbers and costs

The Company had no employees (excluding directors) during the year to 31 March 2005 (2004: none).

6. Interest payable

	2005 £'000	2004 £'000
Amounts payable on bank loans	707	739
Amounts payable on subordinated loan interest	<u>188</u>	<u>152</u>
	<u>895</u>	<u>891</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2005

7. Interest receivable

	2005 £'000	2004 £'000
Receivable on swaps and bank deposits	<u>50</u>	<u>35</u>

8. Taxation

Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Current tax on profit for the year at 30% (2004: 30%)	72	7
Prior year adjustment	<u>164</u>	<u>-</u>
Total current tax	236	7
Deferred tax – origination and reversal of timing differences	<u>-</u>	<u>47</u>
Tax charge on profit on ordinary activities	<u>236</u>	<u>54</u>

Factors affecting tax charge for the year.

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	<u>240</u>	<u>280</u>
Tax charge on the profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004:30%)	72	84
Effects of:		
Utilisation of tax losses	-	(74)
Marginal relief	-	(3)
Prior year adjustment	<u>164</u>	<u>-</u>
Current tax charge for the year	<u>236</u>	<u>7</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2005

9. Deferred taxation asset

	2005 £'000	2004 £'000
Movement on deferred taxation asset balance in the year:		
Opening balance	-	(47)
Charge to profit and loss account	-	47
Closing balance	-	-

10. Debtors

	2005 £'000	2004 £'000
(a) Due within one year		
Trade debtors	192	192
PFI Debtor	146	136
Prepayments	97	19
	435	347
(b) Due after more than one year		
PFI Debtor	10,696	10,841
	11,131	11,188

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2005

11. Creditors

(a) Amounts falling due within one year	2005 £'000	2004 £'000
Bank loans (Note 16a)	401	401
Trade creditors	163	158
Subordinated loan (Note 16b)	34	21
Corporation tax creditor	236	7
Other creditors	202	507
Accruals and deferred income	653	19
	<u>1,689</u>	<u>1,113</u>
 (b) Amounts falling due after one year		
Bank loans (Note 16a)	8,826	9,227
Subordinated loan (Note 16b)	1,303	1,316
	<u>10,129</u>	<u>10,543</u>

12. Provision for liabilities and charges

	2005 £'000	2004 £'000
At 1 April	311	212
Charge for the year	101	99
At 31 March	<u>412</u>	<u>311</u>

As part of its contractual obligations the Company has a programme of "life cycle" expenditure for the maintenance of the school. Accordingly a life cycle expenditure provision has been created to reflect the difference between the annual anticipated charge for maintenance and that actually incurred. The provision will be utilised over the life of the project.

13. Net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	1,085	1,136
Decrease in debtors	69	178
Increase/(decrease) in creditors	153	(30)
Increase in life cycle provision	101	99
Net cash inflow from operating activities	<u>1,408</u>	<u>1,383</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2005

14. Analysis of changes in net debt

	2004 £'000	Cashflow £'000	Other movements £'000	2005 £'000
Cash at bank	46	1,360	-	1,406
Bank loans due within one year	(401)	401	(401)	(401)
Bank loans due after more than one year	(9,227)	-	401	(8,826)
Subordinated loan due within one year	(21)	-	(13)	(34)
Subordinated loan due after more than one year	(1,316)	-	13	(1,303)
	<u>(10,919)</u>	<u>1,761</u>	<u>-</u>	<u>(9,158)</u>

15. Reconciliation of net cashflow to movement in net debt

	2005 £'000	2004 £'000
Increase/(decrease) in cash during the year	1,360	(234)
Net cash inflow from increase in debt financing activities	<u>401</u>	<u>401</u>
Changes in net debt resulting from cash flows	<u>1,761</u>	<u>167</u>
Net debt at beginning of the year	<u>(10,919)</u>	<u>(11,086)</u>
Net debt at the end of the year	<u>(9,158)</u>	<u>(10,919)</u>

16. Loans

(a) Bank loans	2005 £'000	2004 £'000
Due within one year	401	401
Due after more than one year	<u>8,826</u>	<u>9,227</u>
	<u>9,227</u>	<u>9,628</u>
The bank loans are repayable as follows:		
Within one year	401	401
Between one and two years	401	401
Between two and five years	1,203	1,203
After five years	<u>7,222</u>	<u>7,623</u>
	<u>9,227</u>	<u>9,628</u>

**Notes to the financial statements
For the year ended 31 March 2005**

16. Loans (continued)

Bank loans represent amounts borrowed under a Senior Debt Facility. The amounts drawn under the Senior Debt Facility are repayable in fifty three equal semi annual instalments commencing May 2002.

Interest charges on amounts drawn are based on floating LIBOR. The Company has entered into an interest rate swap agreement whereby it pays a fixed rate of 6.49% per annum in respect of amounts drawn under the facilities.

The swap expires on 30 November 2027.

The senior facility is secured by fixed and floating charges on the assets of the company.

(b) Subordinated loans	2005 £'000	2004 £'000
Due within one year	34	21
Due after more than one year	1,303	1,316
	<u>1,337</u>	<u>1,337</u>
The subordinated loan is repayable as follows:		
Within one year	34	21
Between one and two years	26	13
Between two and five years	49	48
After five years	1,228	1,255
	<u>1,337</u>	<u>1,337</u>

The subordinated loan represents amounts borrowed from the parent company, NewSchools (Penweddig) Holdings Limited, under the Equity Subscription Agreement facility. The amounts drawn are repayable in semi annual instalments commencing 2001. Interest charges on amounts drawn are at 11.0% per annum.

In accordance with FRS 4: Capital Instruments issue costs have been offset against the related loans and are being amortised over the duration of the facilities.

No interest or capital was paid in the year (2004: £nil in proportion to holding) as the Project was outside its senior loan performance ratios.

The subordinated loan is not secured over the assets of the company.

17. Called up share capital

	2005 £'000	2004 £'000
Authorised:		
1,000 ordinary shares of £1 each (2004: 1,000)	<u>1</u>	<u>1</u>
Called up, allotted and fully paid:		
1,000 ordinary shares of £1 each (2004: 1,000)	<u>1</u>	<u>1</u>

Notes to the financial statements
For the year ended 31 March 2005

18. Related party transactions

In accordance with the exemption afforded by the Financial Reporting Standard No 8 there is no disclosure in these financial statements of transactions with entities that are part of the NewSchools (Penweddig) group. All related party transactions were carried out at arms length.

The directors consider the material transactions undertaken by the Company during the year with related parties were as follows:

	Provision of services £'000	Subordinated loan interest £'000	Amounts due to related parties at 31 March 2005 £'000
Innisfree PFI Fund II LP	10	-	169
NewSchools Limited	71	-	7
Wates Construction Limited	-	-	-
Wates PFI Investments Limited	3	-	60
Atkins Investments Limited	10	-	169
Atkins Facilities Management Limited	216	-	20

Payments to related parties in the prior year are set out below:

	Provision of services £'000	Subordinated loan interest £'000	Amounts due to related parties at 31 March 2004 £'000
Innisfree PFI Fund II LP	9	-	85
NewSchools Limited	51	-	3
Wates Construction Limited	-	-	40
Wates PFI Investments Limited	3	-	30
Atkins Investments Limited	9	-	85
Atkins Facilities Management Limited	197	-	16

In addition to shareholders during the year, related parties include NewSchools Limited, a joint venture of Innisfree PFI Fund II LP, a shareholder in the Company, Wates Construction Limited, whose parent company is Wates Group Limited, the parent company of Wates PFI Investments Limited, are shareholder in the Company and Aktins Facilities Management Limited, whose parent company is W S Atkins plc, the parent company of Atkins Investments Limited, a shareholder in the Company.

Year end amounts owed to related parties are shown within "Creditors: amounts falling due within one year" in the balance sheet.

19. Ultimate parent company

The company is a wholly owned subsidiary of NewSchools (Penweddig) Holdings Limited which the directors regard as the controlling party, of which 42 ½ % is owned by Innisfree Nominees Limited, acting as nominee for Innisfree PFI Fund II, a Limited Partnership, 42 ½ % by Atkins Investments Limited and 15% by Wates PFI Investments Limited, all of which are incorporated in Great Britain and registered in England and Wales. The directors do not consider that the parent company is controlled by any one party.

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2005

19. Ultimate parent company (continued)

The results of the holding company are consolidated as a joint venture in the accounts of W S Atkins plc, the financial statements of which are available from Woodcote Grove, Ashley Road, Epsom, Surrey KT18 5BW.