

Company Registration No. 03773791

NewSchools (Penweddig) Limited

Report and Financial Statements

Year Ended 31 March 2004



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 Esau
M Campion
L McCormack

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 2004.

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 £226,000 (2003: £317,000). The directors do not recommend the payment of a dividend (2003 - £nil).

Directors and their interests

The following directors served throughout the year under review (except as noted) and to date:

A Finegan	
N G Williams	
L Esau	
M Campion	(appointed 19 December 2003)
L McCormack	(appointed 14 April 2004)
M J E Tidd	(resigned 19 December 2003)
J D Harris	(resigned 1 October 2003)
R F McGlynn	(resigned 14 April 2004)
M A Fernandes	(resigned 20 September 2004)

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

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 United Kingdom company law 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 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.

Contributions for charitable and political purposes

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

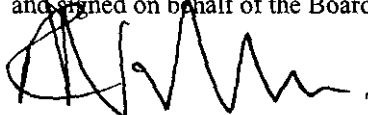
NewSchools (Penweddig) Limited

Report of directors (continued)

Auditors

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

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'R Webster', written over the printed name.

R Webster
Company secretary

7 March. 2005

**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 2004 which comprise the profit and loss account, 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 2004 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
29 March 2005

NewSchools (Penweddig) Limited

Profit and loss account Year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Turnover	1,2	1,721	1,669
Cost of sales		(452)	(378)
Gross profit		1,269	1,291
Administrative expenses		(133)	(125)
Operating profit	3	1,136	1,166
Interest payable	6	(891)	(918)
Interest receivable	7	35	27
Profit on ordinary activities before taxation		280	275
Tax on profit on ordinary activities	8	(54)	42
Retained profit on ordinary activities for the financial year		226	317

All gains and losses are recognised in the profit and loss account, 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 2004

	2004 £'000	2003 £'000
Profit and loss account brought forward at 1 April	390	73
Retained profit for the year	<u>226</u>	<u>317</u>
Profit and loss account carried forward at 31 March	<u><u>616</u></u>	<u><u>390</u></u>

Reconciliation of movement in equity shareholders' funds For the year ended 31 March 2004

	2004 £'000	2003 £'000
Profit for the year	<u>226</u>	<u>317</u>
Net movement in equity shareholders' funds	226	317
Opening equity shareholders' funds as at 1 April	391	74
Closing equity shareholders' funds as at 31 March	<u><u>617</u></u>	<u><u>391</u></u>

NewSchools (Penweddig) Limited

Balance sheet As at 31 March 2004

	Note	2004 £'000	2003* £'000
Current assets			
Debtors:			
amounts falling due within one year	10	347	435
amounts falling due after more than one year	10	10,841	10,977
Investments in short term deposits		1,350	850
Cash at bank and in hand		46	280
		<u>12,584</u>	<u>12,542</u>
Creditors: amounts falling due within one year	11	<u>(1,113)</u>	<u>(986)</u>
Net current assets		11,471	11,556
Creditors: amounts falling due after more than one year	11	(10,543)	(10,953)
Provision for liabilities and charges	12	<u>(311)</u>	<u>(212)</u>
Net assets		<u>617</u>	<u>391</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account		<u>616</u>	<u>390</u>
Equity shareholders' funds		<u>617</u>	<u>391</u>

*The prior year balance sheet has been restated to correctly reflect the investment in short term deposits.

This restatement does not affect the net current assets or net assets of the company.

The financial statements were approved by the Board of Directors on 7 March, 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 2004

	Note	2004 £'000	2003* £'000
Net cash inflow from operating activities	13	1,383	1,438
Returns on investments and servicing of finance:			
Interest received		34	27
Interest paid		(745)	(971)
		(711)	(944)
Taxation		(5)	-
Net cash inflow before use of liquid resources and financing		667	494
Management of liquid resources			
Cash invested in short term deposits		(500)	(850)
Financing			
Loans			
Repayments of secured loans		(401)	(404)
Repayments of unsecured loans		-	(6)
Decrease in cash in the year	15	(234)	(766)

*The prior year cash flow statement has been restated to correctly reflect the investment in short term deposits.

NewSchools (Penweddig) Limited

Notes to the accounts for the year ended 31 March 2004

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 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 2004

2. Turnover

	2004 £'000	2003 £'000
Turnover in the year is analysed as follows:		
Operating revenue	892	830
Third party revenue	5	5
Interest receivable on PFI Debtor	824	834
Total	<u>1,721</u>	<u>1,669</u>

All turnover relates to operating activities carried out in the UK.

3. Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging:		
Auditor's remuneration:-		
Audit fees	8	11
Other	<u>5</u>	<u>6</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.

	2004 £'000	2003 £'000
Amounts payable to third parties in respect of the services of directors	<u>21</u>	<u>20</u>

5. Staff numbers and costs

The Company had no employees (including directors) during the year to 31 March 2004 (2003: none).

6. Interest payable

	2004 £'000	2003 £'000
Amounts payable on bank loans	739	766
Amounts payable on subordinated loan interest	<u>152</u>	<u>152</u>
	<u>891</u>	<u>918</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2004

7. Interest receivable

	2004 £'000	2003 £'000
Receivable on swaps and bank deposits	35	27
	<u>35</u>	<u>27</u>

8. Taxation

Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Current tax on profit for the year at 30% (2003: 19%)	7	5
Deferred tax	47	(47)
Tax charge/(credit) on profit on ordinary activities	<u>54</u>	<u>(42)</u>

Factors affecting tax charge for the year.

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	280	275
Tax charge on the profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003:19%)	84	52
Effects of:		
Utilisation of tax losses	(74)	(47)
Marginal relief	(3)	-
Current tax charge for the year	<u>7</u>	<u>5</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2004

9. Deferred taxation asset

	2004 £'000	2003 £'000
Movement on deferred taxation asset balance in the year:		
Opening balance	(47)	-
Charge/(credit) to profit and loss account	47	(47)
Closing balance	-	(47)
	2004 £'000	2003 £'000
Analysis of deferred taxation balance:		
Losses	-	(47)

10. Debtors

	2004 £'000	2003 £'000
(a) Due within one year		
Trade debtors	192	247
Other debtors ¹	-	55
PFI Debtor	136	125
Prepayments	19	8
	347	435
(b) Due after more than one year		
PFI Debtor	10,841	10,977
	11,188	11,412

¹Other debtors includes £nil (2003: £47,000) deferred tax asset, see note 9.

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2004

11. Creditors

(a) Amounts falling due within one year	2004 £'000	2003 £'000
Bank loans (Note 16a)	401	404
Trade creditors	158	188
Subordinated loan (Note 16b)	21	9
Corporation tax creditor	7	5
Other creditors	507	364
Accruals and deferred income	19	16
	<u>1,113</u>	<u>986</u>
(b) Amounts falling due after one year		
Bank loans (Note 16a)	9,227	9,625
Subordinated loan (Note 16b)	1,316	1,328
	<u>10,543</u>	<u>10,953</u>

12. Provision for liabilities and charges

	2004 £'000	2003 £'000
At 1 April	212	157
Charge for the year	99	55
At 31 March	<u>311</u>	<u>212</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

	2004 £'000	2003 £'000
Operating profit	1,136	1,166
Decrease in debtors	178	268
Decrease in creditors	(30)	(51)
Increase in life cycle provision	99	55
Net cash inflow from operating activities	<u>1,383</u>	<u>1,438</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2004

14. Analysis of changes in net debt

	2003 £'000	Cashflow £'000	Other Movements £'000	2004 £'000
Cash at bank	280	(234)	-	46
Bank loans due within one year	(404)	401	(398)	(401)
Bank loans due after more than one year	(9,625)	-	398	(9,227)
Subordinated loan due within one year	(9)	-	(12)	(21)
Subordinated loan due after more than one year	(1,328)	-	12	(1,316)
	<u>(11,086)</u>	<u>167</u>	<u>-</u>	<u>(10,919)</u>

15. Reconciliation of net cashflow to movement in net debt

	2004 £'000	2003 £'000
(Decrease)/increase in cash during the year	(234)	(766)
Net cash inflow from increase in debt financing activities	<u>401</u>	<u>410</u>
Changes in net debt resulting from cash flows	<u>167</u>	<u>(356)</u>
Net debt at beginning of the year	<u>(11,086)</u>	<u>(10,730)</u>
Net debt at the end of the year	<u>(10,919)</u>	<u>(11,086)</u>

16. Loans

(a) Bank loans	2004 £'000	2003 £'000
Due within one year	401	404
Due after more than one year	<u>9,227</u>	<u>9,625</u>
	<u>9,628</u>	<u>10,029</u>
The bank loans are repayable as follows:		
Within one year	401	404
Between one and two years	401	404
Between two and five years	1,203	1,213
After five years	<u>7,622</u>	<u>8,008</u>
	<u>9,628</u>	<u>10,029</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2004

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	2004 £'000	2003 £'000
Due within one year	21	9
Due after more than one year	1,316	1,328
	<u>1,337</u>	<u>1,337</u>
The subordinated loan is repayable as follows:		
Within one year	21	9
Between one and two years	13	10
Between two and five years	48	38
After five years	1,255	1,280
	<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.

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

17. Called up share capital

	2004 £'000	2003 £'000
Authorised:		
1,000 ordinary shares of £1 each (2003: 1,000)	<u>1</u>	<u>1</u>
Called up, allotted and fully paid:		
1,000 ordinary shares of £1 each (2003: 1,000)	<u>1</u>	<u>1</u>

NewSchools (Penweddig) Limited

Notes to the financial statements For the year ended 31 March 2004

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 2004 £'000
Innisfree PFI Fund II LP	9	-	-
NewSchools Limited	51	-	3
Wates Construction Limited	-	-	40
Wates PFI Investments Limited	3	-	-
Atkins Investments Limited	9	-	-
Atkins Facilities Management Limited	197	-	16

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

	Development costs £'000	Provision of services £'000	Subordinated loan interest £'000	Amounts due to related parties at 31 March 2003 £'000
Innisfree PFI Fund II LP	-	9	-	-
NewSchools Limited	-	49	-	11
Wates Construction Limited	50	-	-	143
Wates PFI Investments Limited	-	3	-	-
Atkins Investments Limited	-	9	-	-
Atkins Facilities Management Limited	-	182	-	12

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.

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.