

North Wiltshire Schools Limited

Directors' report and financial statements

for the year ended 31 December 2003

Registered number: 3930300



North Wiltshire Schools Limited

Directors' report and financial statements for the year ended 31 December 2003

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North Wiltshire Schools Limited

Directors' report for the year ended 31 December 2003

The directors submit their report and the audited financial statements of the company and the group for the year ended 31 December 2003.

Principal activities and business review

The principal activity of the company is a holding company with a single subsidiary, White Horse Education Partnership Limited.

White Horse Education Partnership Limited is engaged under a 30 year contract signed on 27 October 2000 for the provision of design, construction and management services including related financing arrangements for three senior schools (Abbeyfield School, Malmesbury Upper School and Wootton Bassett School in Wiltshire).

The profit for the year under review is set out in the consolidated profit and loss account on page 4.

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

Dividends and transfers to reserves

No dividend is proposed (2002: £Nil). The amount transferred to reserves is set out in the profit and loss account on page 4.

Directors

The directors of the company during the year ended 31 December 2003, and subsequently, were:

S R Brown	
B R J Clarke	
N C Dawson	
T Sharpe	(appointed 15 July 2004)
C W O'Neil	(resigned 15 July 2004)

Directors' interests in shares

The directors held no beneficial interests in the share capital of the company during the year according to the register maintained by the company under Section 325 of the Companies Act 1985.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

North Wiltshire Schools Limited

Directors' report for the year ended 31 December 2003 (continued)

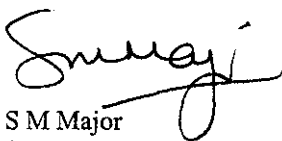
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

By Order of the Board



S M Major
Secretary
20 August 2004

North Wiltshire Schools Limited

Independent auditors report to the members of North Wiltshire Schools Limited

We have audited the financial statements, which comprise the group profit and loss account, the group and company balance sheet, the reconciliation of movement in group equity shareholders' funds, the group cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 to you 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 is not disclosed.

We read the other information contained in the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

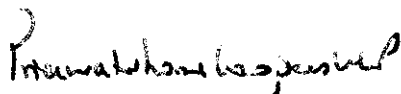
Basis of audit opinion

We conducted our audit in accordance with 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 affairs of the company and the group at 31 December 2003 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
20 August 2004

North Wiltshire Schools Limited

Consolidated profit and loss account for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Turnover	1	1,886	1,451
Operating costs		(1,206)	(806)
Gross profit		680	645
Administrative expenses		(212)	(168)
Operating profit	3	468	477
Interest receivable and similar income	4	2,795	2,497
Interest payable and similar charges	4	(2,952)	(2,676)
Profit on ordinary activities before taxation		311	298
Taxation on profit on ordinary activities	5	(142)	(121)
Retained profit for the financial year	11	169	177

The group has been engaged solely in continuing activities in a single class of business within the United Kingdom during the period.

There is no difference between the profit for the period as shown in the profit and loss account above and its historic cost equivalent.

The group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been reported.


The movement on reserves is shown in note 11 to the financial statements.

North Wiltshire Schools Limited

Consolidated balance sheet at 31 December 2003

		2003	2002
	Notes	£'000	£'000
Current assets			
Debtors (amounts falling due within one year)	7	1,439	731
Debtors (amounts falling due in more than one year)	7	35,453	35,769
Cash at bank and in hand		1,748	2,295
		38,640	38,795
Creditors (amounts falling due within one year)	8	(1,203)	(1,149)
Net current assets		37,437	37,646
Creditors (amounts falling due in more than one year)	8	(36,584)	(37,104)
		853	542
Provision for liabilities and charges	9	(321)	(179)
Net assets		532	363
Capital and reserves			
Called up share capital	10	50	50
Profit and loss account	11	482	313
Total equity shareholders' funds		532	363

The financial statements on pages 4 to 18 were approved by the Board on 20 August 2004 and were signed on its behalf by:



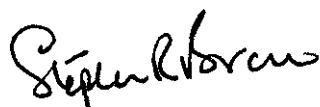
Director

North Wiltshire Schools Limited

Company balance sheet at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Investments	6	2,441	2,189
Creditors (amounts falling due in more than one year)	8	(2,391)	(2,139)
Net assets		50	50
Equity capital and reserves			
Called up share capital	10	50	50
Profit and loss account	11	-	-
Total equity shareholders' funds		50	50

Approved by the Board on 20 August 2004 and were signed on its behalf by:



Director

North Wiltshire Schools Limited

Reconciliation of movement in group equity shareholders' funds for the year ended 31 December 2003

	2003	2002
	£'000	£'000
Profit for the financial year	169	177
Net addition to equity shareholders' funds	169	177
Opening equity shareholders' funds	363	186
Closing equity shareholders' funds	532	363

North Wiltshire Schools Limited

Consolidated cash flow statement for the year ended 31 December 2003

	Notes	2003	2002
		£'000	£'000
Net cash inflow from operating activities	2	150	105
Returns on investment and servicing of finance			
Interest received		2,795	2,497
Interest paid		(2,673)	(2,679)
		122	(182)
Capital expenditure			
Payments to acquire tangible fixed assets	6	-	(2,864)
Less contributions to the cost of tangible fixed assets received	6	-	2,200
		-	(664)
Financing			
Net (decrease)/ increase in borrowings		(819)	2,939
(Decrease) / increase in cash		(547)	2,198

North Wiltshire Schools Limited

Reconciliation of net cash flow to movement in net debt

	Notes	2003 £'000	2002 £'000
(Decrease) / increase in cash		(547)	2,198
Decrease / (increase) in bank borrowings		819	(2,939)
Other non cash changes	13	(27)	(27)
Movement in net debt	13	245	(768)
Net debt at 1 January		(35,289)	(34,521)
Net debt at 31 December	13	(35,044)	(35,289)

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

A summary of the group's principal accounting policies is set out below.

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. Narrative disclosures of values in the notes to the accounts are shown as round £'000.

Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiary undertaking, White Horse Education Partnership Limited.

Intra-group sales and profits are eliminated on consolidation.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The group recognises income when it has fully fulfilled its contractual obligations.

Deferred taxation

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Leased assets

Payments under operating leases are charged to the profit and loss on a straight-line basis over the lease term.

Contract debtor

Amounts recoverable under long term Private Finance Initiative contracts are transferred to a contract debtor in accordance with the requirements of Financial Reporting Standard 5 Application Note F – Private Finance Initiative and Similar Contracts. The amounts receivable (which may include the costs of construction of related assets) are treated as a long-term contract debtor from the commencement of the operating contract, with a constant proportion of the net revenue arising from the project (after allowing for the expected costs of operating and maintenance), being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term, the contract debtor is expected to be fully repaid.

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Accounting policies (continued)

Investments

Investments in subsidiary undertakings are stated at cost, less an appropriate provision to reflect any impairment in the value of the investments.

Financial instruments

The group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates. Financial instruments used to hedge interest rates are valued at cost. Receipts and payments on interest rate instruments are recognised in the profit and loss account over the economic life of the instrument or underlying position being hedged, within net interest. Gains or losses arising on hedging instruments, which do not qualify as hedges for accounting purposes, are taken to the profit and loss account as they arise.

Discounts, premia and related costs of debt issue are charged to the profit and loss account over the life of the instrument to which they relate.

2 Cash flow from operating activities

	2003	2002
	£'000	£'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	468	477
Decrease in contract debtor	271	193
(Increase) / decrease in debtors	(663)	18
Increase / (decrease) in creditors	74	(583)
Net cash inflow from operating activities	150	105

3 Operating profit

The group had no employees during the year (2002: none). The directors have no contract of service with the company or group. No remuneration was paid to the directors in respect of their services to the group (2002: £nil).

The audit fee in respect of the group was £6,000 (2002: £6,000) and for the company £2,000 (2002: £2,000). The auditors also received remuneration for other services to the group totalling £5,000 (2002: £4,000) and for the company £nil (2002: £nil). All of these costs have been borne by the subsidiary undertaking.

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

4 Interest

Group	2003	2002
	£'000	£'000
Bank interest receivable	106	88
Imputed interest on contract debtor	2,689	2,409
Interest receivable and similar income	2,795	2,497
Interest payable on term loans	(2,673)	(2,679)
Interest payable on loan stock	(252)	(252)
Amortisation of debt issue costs	(27)	(27)
Less interest capitalised in the course of construction	-	(282)
Interest payable and similar charges	(2,952)	(2,676)
Net interest payable	(157)	(179)

Interest was been capitalised at the weighted average rate of 7.9% during 2002. The fixed asset was transferred to contract debtor on completion and did not subsequently appear on the balance sheet of the group.

Interest is imputed on the contract debtor using the property specific rate of 7.4% (2002: 7.4%).

5 Taxation on profit on ordinary activities

Group	2003	2002
Analysis of charge in period	£'000	£'000
Current tax		
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	-	(58)
Total current tax	-	(58)
Deferred tax		
Origination and reversal of timing differences	142	179
Tax on profit on ordinary activities	142	121

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

5 Taxation on profit on ordinary activities (continued)

The tax for the period is lower than (2002: lower) the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003	2002
	£'000	£'000
Factors affecting tax charge for the period		
Profit on ordinary activities before tax	311	298
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	93	89
Remuneration of contract debtor less capital allowances and imputed interest for the period	(93)	(147)
Current tax charge for the period	-	(58)

Factors that may affect future tax charges

The group has incurred significant expenditure in the construction of the schools on which it has claimed tax relief through capital allowances and claims for interest and loan related expenditure during the construction period. It has used these tax losses to offset its current liabilities and retains tax losses to offset liabilities in future years. As amounts are recovered to remunerate these costs they will be brought into current taxation in the year in which they are received. As a result of these claims there exist significant timing differences, which are expected to reverse over the contract term.

6 Fixed assets

At the commencement of 2002 the group had a fixed asset in the course of construction. On completion in 2002 it was transferred to contract debtor and did not subsequently appear on the balance sheet of the group.

Investments

Company	Share in subsidiary	Loan share	Total
	£'000	£'000	£'000
Cost at 1 January 2003	50	2,139	2,189
Loan stock subscribed for in the year	-	252	252
Cost at 31 December 2003	50	2,391	2,441

The company owns 100% of the issued share capital (£50,000) of White Horse Education Partnership Limited (WHEP), which is registered in the United Kingdom.

The company has subscribed for £2,391,000 14% coupon cumulative subordinated loan stock in WHEP. The loan stock consists of £1,800,000, the original issue and further issues including £252,000 in the current year (2002: £252,000) in lieu of unpaid interest. North Wiltshire Schools Limited has in turn issued corresponding loan stock to its shareholders in proportion to their shareholdings.

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

7 Debtors

	2003		2002	
	Company	Group	Company	Group
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Other debtors and prepayments	-	1,178	-	515
Contract debtor	-	261	-	216
	-	1,439	-	731
Amounts falling due in more than one year				
Contract debtor	-	35,453	-	35,769

8 Creditors

	2003		2002	
	Company	Group	Company	Group
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Bank borrowings	-	799	-	819
Trade creditors	-	98	-	188
VAT	-	148	-	-
Accruals and deferred income	-	158	-	142
	-	1,203	-	1,149
Amounts falling due in more than one year				
Bank borrowings	-	34,421	-	35,220
Less: unamortised issue costs		(228)	-	(255)
	-	34,193	-	34,965
Loan stock	2,391	2,391	2,139	2,139
	2,391	36,584	2,139	37,104

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

8 Creditors (continued)

Bank borrowings relate to senior and junior loan facilities granted by a group of banks led by Dresdner Bank AG. The senior facilities are for a total value of £36,400,000 (2002: £36,400,000) and the junior loan facility of £1,800,000 (2002: £1,800,000). Both facilities were fully drawn down. A working capital facility of £100,000 has been granted by Dresdner Bank AG which has not been utilised as at 31 December 2003 (2002: unutilised). Loan issue costs have been offset against bank borrowings and are amortised over the period of the loan in accordance with the provisions of Financial Reporting Standard 4.

The senior loan facility consists of three separate facilities; £1,800,000 which was repaid in 2001, £4,500,000 which is repayable in 2005 and £30,100,000 which is repayable in fifty six-monthly instalments. As at the 31 December 2003 the total amount outstanding on the facility is £33,420,000 (2002: £34,239,000). Interest is charged on amounts drawn under the facilities based on the floating LIBOR rates. The junior loan facility is repayable in twenty eight six-monthly instalments commencing in 2007. Interest is also charged on amounts drawn under this facility based on the floating LIBOR rate. The group has entered into swap arrangements with Dresdner Bank AG in order to fix the base interest rate (LIBOR) of 6.33% applied to those balances on the facilities to 2026. The term loans and working capital facilities are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the group and by a floating charge over the group's undertakings and assets.

Maturity of bank debt	2003	2002
	£'000	£'000
Group		
In one year or less	799	819
In more than one year, but not more than two years	5,336	825
In more than two years but not more than five years	3,626	7,578
In more than five years	25,231	26,817
	34,992	36,039

The group has issued £2,391,000 14% coupon cumulative subordinated loan stock due 30 June 2027 to its shareholders in proportion to their shareholdings. The loan stock consists of £1,800,000, the original issue, and further issues including £252,000 in the current year (2002: £252,000) in lieu of unpaid interest.

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

9 Provisions for liabilities and charges

	2003	2002
	£'000	£'000
Provision for deferred tax		
Accelerated capital allowances and accelerated finance costs	321	179
Provision for deferred tax	321	179
Provision at 1 January	179	-
Deferred tax charge in profit and loss account for the period (note 5)	142	179
Provision at 31 December	321	179

10 Called up share capital

	2003	2002
	£	£
Authorised allotted and issued		
25,000 'A' Ordinary shares of £1 each	25,000	25,000
25,000 'B' Ordinary shares of £1 each	25,000	25,000
	50,000	50,000

Each category of shares ranks equally.

11 Profit and loss account

	Group
	£'000
At 1 January 2003	313
Retained profit for the financial year	169
At 31 December 2003	482

As permitted by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account. The result of North Wiltshire Schools Limited for the period was £nil (2002: £nil) which was also the total of the recognised gains and losses for the period.

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

12 Obligations under leases

The group has entered into operating leases and has annual commitments under leases for land and buildings of £1 (2002: £1) expiring after five years.

13 Reconciliation of movements in net debt

	At 1 January 2003	Cash flows	Other non cash changes	At 31 December 2003
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,295	(547)	-	1,748
Other debt – loan stock	(1,800)	-	-	(1,800)
Bank borrowings	(35,784)	819	(27)	(34,992)
	(35,289)	272	(27)	(35,044)

Non-cash changes comprise the amortisation of debt issue costs

14 Commitments

Under the terms of a contract dated 27 October 2000 with Bilfinger Berger UK Limited (formerly Bilfinger + Berger UK Limited), a company related to Bilfinger Berger BOT Limited, the group was committed to payments totalling £34,367,000 in respect of design and construction services. Payments were made as the design and construction work progressed. Payments in the year ended 31 December 2003 were £nil (2002: £3,434,000). £222,000 of the commitment remains outstanding at 31 December 2003 (2002: £222,000).

Under the terms of an operating agreement dated 27 October 2000 with GSL UK Limited (formerly Group 4 Falck Global Solutions (UK) Limited), a company related to GSL Joint Ventures Limited (formerly Group 4 Falck Joint Ventures Limited), the group is committed to pay fixed and variable fees to GSL UK Limited based on the availability of the schools. Payments in the year ended 31 December 2003 were £825,000 (2002: £746,000) and continue for the contract term.

Under the terms of a contract with GSL UK Limited dated 27 October 2000, the group is committed to indexed payments totalling £4,528,000 (at year 2000 prices) in respect of the materials cost of major routine and non-routine maintenance of mechanical and electrical installations and furniture over the contract term. GSL UK Limited are also responsible for major routine and non-routine maintenance of the building fabric for which they can charge the material cost to the group over the contract term. The group has allowed indexed funding for this expenditure totalling £4,315,000 (at year 2000 prices) over the contract term. Payments in the year ended 31 December 2003 were £nil (2002: £nil).

North Wiltshire Schools Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

15 Related party disclosures

In addition to contractual commitments set out in note 14 above, Global Solutions Limited (formerly Group 4 Falck Global Solutions Limited) provided administrative and technical services to the group during the period at a cost of £13,000 (2002: £7,000). Similar services were also provided by GSL UK Limited (formerly Group 4 Falck Global Solutions (UK) Limited), at a cost of £nil (2002: £7,000). Both companies are related to GSL Joint Ventures Limited (formerly Group 4 Falck Joint Ventures Limited).

Administrative and technical services were also provided by Bilfinger Berger BOT Limited at a cost of £39,000 (2002: £20,000).

Bilfinger Berger UK Limited (formerly Bilfinger + Berger UK Limited), a company related to Bilfinger Berger BOT Limited provided additional construction services of £85,000 (2002: £nil). Bilfinger Berger UK Limited has been recharged £196,000 (2002: £nil) for construction and similar services provided on its behalf.

At the year end there was £3,000 (2002: £6,000) payable to Bilfinger Berger UK Limited and £58,000 (2002: £78,000) payable to GSL UK Limited by the group. At the year end there was £196,000 (2002: £nil) payable by Bilfinger Berger UK Limited to the group.

16 Parent undertakings

Fifty percent of the shares of the company are held by Bilfinger Berger BOT Limited, with the remaining fifty percent held by GSL Joint Ventures Limited (formerly Group 4 Falck Joint Ventures Limited). Both shareholders are companies incorporated in the United Kingdom.