

**FocusEducation (Lambeth) Limited**

**Directors' report and financial  
statements**

Registered number 04257230

Year ended 31 August 2004



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## **Company information**

### **Executive Directors**

Gershon Daniel Cohen  
Stephen Hockaday  
Andrew Craig Mason  
Andrew David Silverbeck

### **Registered Office**

3<sup>rd</sup> Floor, the Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

### **Registered Auditors**

KPMG LLP  
St James' Square  
Manchester  
M2 6DS

### **Solicitors**

Pinsent Curtis Biddle  
Dashwood House  
69 Old Broad Street  
London  
EC2M 1NR

### **Bankers**

Bank of Scotland  
Client Banking England  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

### **Company Secretary**

Ailison Mitchell LLB ACIS  
3<sup>rd</sup> Floor, The Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2004.

### Principal activities

The principal activities of the company are to design, finance, construct and operate certain facilities and provide non educational services at the Lilian Baylis School in Lambeth for the period until 28 February 2030 under a concession agreement with The Mayor and Burgesses of the London Borough of Lambeth. The agreement to provide the new school and associated facilities management was signed on 25 March 2004. Construction commenced in April 2003.

### Business review

The results for the year are set out in the profit and loss account on page 5. The profit for the year is £26,000 (2003: loss £38,000).

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The directors who held office during the year are as follows:

Gershon Daniel Cohen  
Stephen Hockaday  
Andrew David Silverbeck  
Philip Robert Grant (resigned 29 January 2004)  
Andrew Craig Mason (appointed 29 January 2004)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company. The interests of the directors in other group companies are disclosed in the financial statements of those group companies.

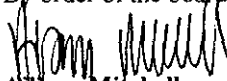
### Corporate Governance

The Company is committed to high standards of corporate governance, as are appropriate for the longer term obligations to finance, construct and operate non-educational services for the new schools under the Private Finance Initiative programme.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
Allison Mitchell  
Secretary

3rd Floor, The Venus  
1 Old Park lane  
Trafford  
Manchester  
M41 7HG

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 maintaining proper accounting records which 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square  
Manchester  
M2 6DS  
United Kingdom

## **Independent auditors report to the members of FocusEducation (Lambeth) Limited**

*We have audited the financial statements on pages 5 to 12.*

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

*The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.*

*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 with the group is not disclosed.*

### **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 group'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 August 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG LLP 26/7/05  
Chartered Accountants  
Registered Auditors

**Profit and loss account**  
*For year ended 31 August 2004*

	<i>Note</i>	<b>2004 £000</b>	<b>57 week period ended 2003 £000</b>
<b>Turnover</b>		<b>10,425</b>	<b>4,136</b>
Net operating costs	2	<b>(9,884)</b>	<b>(4,070)</b>
<b>Operating profit</b>		<b>541</b>	<b>66</b>
Interest payable	5	<b>(637)</b>	<b>(93)</b>
Other interest receivable and similar income	6	<b>101</b>	<b>10</b>
<b>Loss on ordinary activities before taxation</b>		<b>5</b>	<b>(17)</b>
Tax on loss on ordinary activities	7	<b>21</b>	<b>(21)</b>
<b>Retained profit / (loss) for the period</b>	13	<b>26</b>	<b>(38)</b>

The company has no recognised gains or losses other than the retained loss for the period and therefore no separate statement of total recognised gains and losses has been presented.

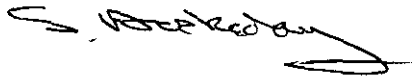
There is no material difference between the result as disclosed in the Profit and Loss account and the result on an unmodified historical cost basis.

**Balance sheet**  
 at 31 August 2003

	Note	2004 £000	57 week period ended 2003 £000
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	1,192	164
amounts falling due after more than one year	8	13,684	3,390
		14,876	3,554
Cash at bank and in hand		653	767
		<u>15,529</u>	<u>4,321</u>
<b>Creditors: amounts falling due within one year</b>	9	(3,191)	(200)
		<u>12,338</u>	<u>4,121</u>
<b>Net current assets</b>			
Creditors: amounts falling due after more than one year	10	(12,340)	(4,149)
		<u>(2)</u>	<u>(28)</u>
<b>Net liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	12	10	10
Profit and loss account	13	(12)	(38)
		<u>(2)</u>	<u>(28)</u>
<b>Equity shareholders' funds</b>			

These financial statements were approved by the board of directors on behalf by:

6 July 2005 and were signed on its



Director



**Reconciliation of movements in shareholders' funds**  
*for year ended 31 August 2004*

	2004	57 week period ended 2003
	£000	£000
Profit / (loss) for the financial period	26	(38)
Share capital introduced	-	10
	<hr/>	<hr/>
Net increase / (reduction) in shareholders' funds	26	(28)
Opening shareholders' funds	(28)	-
	<hr/>	<hr/>
Closing shareholders' funds	(2)	(28)
	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

As the company is a wholly owned subsidiary of FocusEducation Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard ('FRS') 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### ***Turnover***

Turnover on construction activities represents the value of work done and services rendered, excluding sales and related taxes. Turnover on operational services represents the value of work performed in the period under the concession agreement, together with additional services provided to the authority.

#### ***Stocks and work in progress / amounts recoverable under contracts***

Costs incurred in the construction of the schools have been accounted for under FRS 5 Application Note F. Applying the guidance within the Application Note indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to The Mayor and Burgesses of the London Borough of Lambeth. As such, all construction costs incurred on the project, including interest on finance up to the date of commission and incidental costs, are recorded as amounts recoverable under contracts during the construction phase of the project. Costs are recognised as cost of sales to the extent that they relate to the value of work done in respect of turnover recognised.

On the services commencement date, the amounts outstanding under the contract are transferred from amounts recoverable under contracts into a finance debtor.

#### ***Finance lease debtor***

Amounts receivable under the agreement with The Mayor and Burgesses of the London Borough of Lambeth relating to the school facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Interest receivable is recognised over the period of the contract based on the interest rate implicit in the contract.

#### ***Capitalisation of interest***

Loan interest incurred during the construction of the schools capitalised into the finance debtor.

#### ***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 FRS 19.

## Notes (continued)

### 2 Net operating costs

	2004	57 week period ended 2003
	£000	£000
Materials, site and production costs	9,689	2,115
Auditors remuneration - audit fees	12	10
Auditors remuneration - other services (taxation compliance services)	6	-
Other charges	177	1,945
	<u>9,884</u>	<u>4,070</u>

### 3 Remuneration of directors

	2004	57 week period ended 2003
	£000	£000
Recharges in respect of directors services	-	-

None of the directors received emoluments directly from the company.

### 4 Staff numbers and costs

No staff are directly employed by the company. Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractors service charges.

### 5 Interest payable

	2004	57 week period ended 2003
	£000	£000
Interest payable on bank loans	631	87
Amortisation of issue costs	6	6
	<u>637</u>	<u>93</u>

Interest payable of £625,000 has been capitalised as part of the project asset during the year.

### 6 Other interest receivable and similar income

	2004	57 week period ended 2003
	£000	£000
Bank interest receivable	101	10

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2004	57 week period ended 2003
	£000	£000
UK corporation tax		
Current tax on income for the year	(21)	21
	<u>          </u>	<u>          </u>

#### Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2004	57 week period ended 2003
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	(6)	(17)
	<u>          </u>	<u>          </u>
Current tax at 30%	(2)	(5)
Effects of:		
Expenses not deductible for tax purposes	2	26
Adjustment in respect of prior years	(21)	-
	<u>          </u>	<u>          </u>
Total current tax charge (see above)	(21)	21
	<u>          </u>	<u>          </u>

### 8 Debtors

	2004	57 week period ended 2003
	£000	£000
Amounts recoverable on contracts	13,923	3,390
Other debtors	953	164
	<u>          </u>	<u>          </u>
	14,876	3,554
	<u>          </u>	<u>          </u>

The amounts recoverable on contracts include £13,684,000 due after more than one year.

### 9 Creditors: amounts falling due within one year

	2004	57 week period ended 2003
	£000	£000
Trade creditors	18	127
Corporation tax	-	21
Accruals and deferred income	1,218	52
Equity bridge loan	1,640	-
Senior loan	315	-
	<u>          </u>	<u>          </u>
	3,191	200
	<u>          </u>	<u>          </u>

## Notes (continued)

### 10 Creditors: amounts falling due after more than one year

	2004	57 week period ended 2003
	£000	£000
Equity bridge loan (see note 11)	-	1,640
Senior loan (see note 11)	12,340	2,509
	<hr/>	<hr/>
	12,340	4,149
	<hr/>	<hr/>

### 11 Analysis of debt

	2004	57 week period ended 2003
	£000	£000
Debt can be analysed as falling due:		
In one year or less, or on demand	1,955	-
Between one and two years	335	1,805
Between two and five years	1,130	1,505
In five years or more	11,610	1,580
	<hr/>	<hr/>
	15,030	4,890
Less: issue costs	(735)	(741)
	<hr/>	<hr/>
	14,295	4,149
	<hr/>	<hr/>

The company has a term loan facility of £15,170,000 due for expiry 1 September 2027 secured by a fixed and floating charge over the assets of the group. Until 31 December 2004, the rate paid will be LIBOR plus a 1.05% margin. This margin will change to 0.85% for the following 15 years, and 0.95% thereafter. The company has entered into a swap transaction resulting in interest being charged on this loan at a fixed rate of 5.08%.

The equity bridge loan, which is also secured, expires on 28 February 2005 and incurs interest at LIBOR plus 0.5% margin.

### 12 Called up share capital

	2004	57 week period ended 2003
	£000	£000
<i>Authorised</i>		
Equity: 10,000 ordinary shares of £1 each	10	10
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 10,000 ordinary shares of £1 each	10	10
	<hr/>	<hr/>

## Notes (continued)

### 13 Reserves

<i>Profit and loss account</i>	<i>2004 £000</i>
At beginning of year	(38)
Retained profit for the year	26
At end of year	(12)

### 14 Commitments

At 31 August 2004 the company had authorised and contracted capital commitments of £828,000.

### 15 Related party disclosures

<i>Expenditure with related parties</i>	<i>Relationship</i>	<i>Class of Transaction</i>	<i>Expenditure</i>		<i>Creditor</i>	
			<i>2004 £000</i>	<i>2003 £000</i>	<i>2004 £000</i>	<i>2003 £000</i>
Bovis Lend Lease Limited	Subsidiary of a shareholder	Construction & facilities management services	9,172	2,878	5	5
Halifax Bank of Scotland (Bank of Scotland)	Holding company of a shareholder	Banking facilities	543	488	15,033	4,990

### 16 Ultimate holding company

The Company's immediate parent company and ultimate holding company is FocusEducation Limited, a company incorporated in England and Wales, which also heads the largest group in which the results are consolidated. Copies of the group accounts of FocusEducation Limited can be obtained from 3<sup>rd</sup> Floor, The Venus, 1 Old Park Lane, Trafford, Manchester, M41 7HG.