

**FocusEducation (Lambeth) Limited**

**Directors' report and financial  
statements**

**Registered number 04257230**

**Year ended 31 August 2005**



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## **Company information**

### **Executive Directors**

Gershon Daniel Cohen (resigned 25 April 2005)  
Stephen Hockaday  
Andrew Craig Mason (resigned 18 November 2004)  
Andrew David Silverbeck (resigned 2 March 2005)  
Rhona MacDonald Bree (appointed 18 November 2004, resigned 6 July 2005)  
Michael Edward Davis (appointed 2 March 2005)  
Michael Andrew Donn (appointed 5 October 2005)  
Timothy John Dickie (appointed 6 July 2005, resigned 5 October 2005)  
Kenneth William Gillespie (appointed 25 April 2005)

### **Company Secretary**

HLM Secretaries Ltd (resigned 7 April 2005)  
Ailison Louise Mitchell (appointed 7 April 2005)

### **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

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2005.

### 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 and the school became operational on 4 January 2005.

### Business review

The results for the year are set out in the profit and loss account on page 5. The loss for the year is £7,000 (2004: profit £26,000).

### 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 set out on page 1.

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.

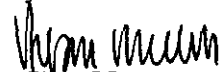
### Corporate Governance

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



**Alison 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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

21/12/05

**KPMG LLP**  
Chartered Accountants  
Registered Auditors

**Profit and loss account**  
*For year ended 31 August 2005*

	<i>Note</i>	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>
<b>Turnover</b>		<b>1,785</b>	10,425
Net operating costs	2	<b>(1,444)</b>	(9,884)
<b>Operating profit</b>		<b>341</b>	541
Interest payable	5	<b>(1,065)</b>	(637)
Other interest receivable and similar income	6	<b>718</b>	101
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(6)</b>	5
Tax on loss on ordinary activities	7	<b>(1)</b>	21
<b>Retained (loss) / profit for the year</b>	13	<b>(7)</b>	26

The company has no recognised gains or losses other than the retained loss for the year 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.

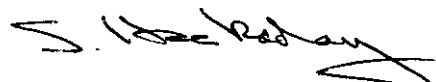
**Balance sheet**  
**at 31 August 2005**

	Note	2005 £000	2004 £000
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	538	1,192
amounts falling due after more than one year	8	14,740	13,684
		15,278	14,876
Cash at bank and in hand		1,315	653
		<u>16,593</u>	<u>15,529</u>
<b>Creditors: amounts falling due within one year</b>	9	(673)	(3,191)
		<u>15,920</u>	<u>12,338</u>
<b>Net current assets</b>			
Creditors: amounts falling due after more than one year	10	(15,834)	(12,340)
Provisions for liabilities and charges	12	(95)	-
		<u>(9)</u>	<u>(2)</u>
<b>Net liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	13	10	10
Profit and loss account	14	(19)	(12)
		<u>(9)</u>	<u>(2)</u>
<b>Equity shareholders' funds</b>			

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

16/12/05

and were signed on its



Director



**Reconciliation of movements in shareholders' funds**  
*for year ended 31 August 2005*

	2005 £000	2004 £000
(Loss) / profit for the financial period	(7)	26
Net (reduction) / increase in shareholders' deficit	(7)	26
Opening shareholders' deficit	(2)	(28)
Closing shareholders' deficit	(9)	(2)

## 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.

The company is dependent on support from Focus Education Limited, its parent undertaking, for continued operation as a going concern. The directors of Focus Education Limited have confirmed their intention to support the company.

#### ***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 school has been 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

	2005 £000	2004 £000
Materials, site and production costs	818	9,689
Service costs	476	-
Auditors remuneration - audit fees	12	12
Auditors remuneration - other services (taxation compliance services)	12	6
Other charges	126	177
	<u>1,444</u>	<u>9,884</u>

### 3 Remuneration of directors

	2005 £000	2004 £000
Recharges in respect of directors services	-	-

None of the directors received emoluments directly from the company or from the parent 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

	2005 £000	2004 £000
Interest payable on bank loans	1,039	631
Amortisation of issue costs	26	6
	<u>1,065</u>	<u>637</u>

Interest payable of £330,000 has been capitalised as part of the project asset during the year.

### 6 Other interest receivable and similar income

	2005 £000	2005 £000
Bank interest receivable	37	101
Finance interest receivable	681	-
	<u>718</u>	<u>101</u>

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2005 £000	2004 £000
<i>UK corporation tax</i>		
Current tax on income for the year	(1)	21

#### 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.

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(6)	5
Current tax at 30%	(2)	2
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	(2)
Adjustment in respect of prior years	1	21
Total current tax (charge)/credit	(1)	21

### 8 Debtors

	2005 £000	2004 £000
Finance debtor	14,983	-
Amounts recoverable on contracts	-	13,923
Other debtors	295	953
	15,278	14,876

Finance debtor (2004: amounts recoverable on contracts) includes £14,740,000 (2004: £13,684,000) due after more than one year.

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

	2005 £000	2004 £000
Trade creditors	94	18
Corporation tax	1	-
Accruals and deferred income	398	1,218
Equity bridge loan	-	1,640
Senior loan	180	315
	673	3,191

**Notes (continued)**

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

	2005 £000	2004 £000
Senior loan	14,213	12,340
Loan stock	1,621	-
	<u>15,834</u>	<u>12,340</u>

**11 Analysis of debt**

	2005 £000	2004 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	180	1,955
Between one and two years	187	335
Between two and five years	603	1,130
In five years or more	15,753	11,610
	<u>16,723</u>	<u>15,030</u>
Less: issue costs	(709)	(735)
	<u>16,014</u>	<u>14,295</u>

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 subordinated debt is in respect of unsecured loan notes, which have been issued in respect of the project. The loan notes are redeemable by 31 August 2029 and bear interest at 12%.

**12 Provisions for liabilities and charges**

	Lifecycle maintenance £000
At beginning of year	-
Charge to the profit and loss for the year	95
Lifecycle expenditure	-
	<u>95</u>
At end of year	<u>95</u>

**Notes (continued)**

**13 Called up share capital**

	2005 £000	2004 £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/>

**14 Reserves**

Profit and loss account	2005 £000	2004 £000
At beginning of year	(12)	(38)
Retained profit for the year	(7)	26
	<hr/>	<hr/>
At end of year	(19)	(12)
	<hr/>	<hr/>

**15 Commitments**

At 31 August 2005 the company had authorised and contracted capital commitments of £nil (2004: £828,000).

**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.