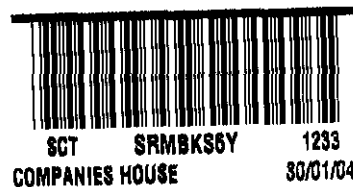


Robertson Education (Ingleby Barwick) Limited

**Directors' report and financial
statements**

Registered number 4375068

31 March 2003



Contents

Directors and advisors	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report to the members of Robertson Education (Ingleby Barwick) Limited	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8

Directors and advisors

Directors

J C Elliot
J D G Perks
W G Robertson
M T Smith

Registered Office

Kings Court
Kingsway South
Team Valley
Gateshead
NE11 0SH

Company Secretary

I Clark

Registered Auditors

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Solicitors

Maclay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

Bankers

Bank of Scotland
155 Bishopsgate
London
EX2M 3YB

Directors' report

The directors present their first annual report and audited financial statements for the period from 15 February 2002 (date of incorporation) to 31 March 2003.

Principal activities

The principal activities of the company are the design, build, finance, operation and maintenance of two new schools and a public library at Ingleby Barwick, Stockton-on-Tees, through an agreement with Stockton-on-Tees Borough Council and the Temporary Governing Body of All Saints Voluntary Aided Church of England Secondary School. The agreement was entered into under the Government's Private Finance Initiative Scheme.

Business review

Robertson Education (Ingleby Barwick) Limited is a special purpose company established by Robertson Group Limited, Quayle Munro PFI Fund Limited Partnership and Uberior Infrastructure Investments Limited. The company has entered into a 25 year contract with Stockton-on-Tees Borough Council and the Temporary Governing Body of All Saints Voluntary Aided Church of England Secondary School to design, build, finance, operate and maintain new primary and secondary schools at Ingleby Barwick Community Campus in Stockton-on-Tees, including the provision of hard and soft facilities management services.

During the period the company commenced the construction phase of the project. The results for the period are set out in the profit and loss account on page 6.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The retained profit for the year is £54,618.

Directors and directors' interests

The directors who held office at the period end are set out on page 1. W G Robertson and J C Elliot were appointed as directors on 26 April 2002. MT Smith and JDG Perks were appointed directors on 11 November 2002. In addition AD Darling was appointed a director on 23 April 2002 and resigned on 11 November 2002 and S Lyon was appointed director on 23 April 2002 and resigned on 2 May 2002.

None of the directors who held office at the end of the financial year had any interest in the shares of the company as recorded in the register of directors' interests. According to the register of directors' interests, no rights to subscribe for shares or debentures of the company were granted to any of the directors or their immediate families during the financial period.

WG Robertson is a majority shareholder in Robertson Group Limited. His interests in the shares of that company are reported in the directors' report of that company. Robertson Group Limited transferred its interest in the share capital and subordinated debt in the ultimate holding company, Robertson Education (Ingleby Barwick) Holdings Limited, to another group company, Robertson Capital Projects Limited on 3 June 2003.

Political and charitable contributions

During the year there were no charitable or political donations.

Auditors

During the year KPMG LLP were appointed as first auditors to the company.

Pursuant to a shareholders resolution the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



I Clark
Secretary

Elgin

26 January 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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;
- 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 keeping 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

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditors' report to the members of Robertson Education (Ingleby Barwick) Limited

We have audited the financial statements on pages 5 to 14.

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 directors' report and, as described on page 3, 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 company 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 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 2003 and of its profit for the period from 15 February 2002 (date of incorporation) to 31 March 2003 and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

26 January 2004

Profit and loss account
for the period ended 31 March 2003

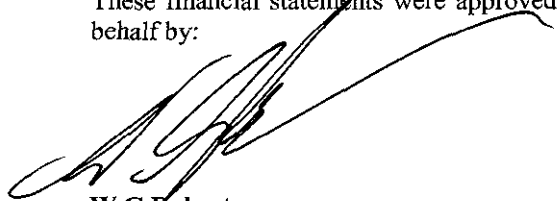
	<i>Note</i>	Period ended 31 March 2003 £
Turnover		5,490,520
Operating expenses	2	(5,503,448)
		<hr/>
Operating loss	3	(12,928)
Net interest receivable and similar income	5	12,928
		<hr/>
Result on ordinary activities before taxation		-
Tax on result on ordinary activities	6	54,618
		<hr/>
Retained profit for the financial year	13	54,618
		<hr/>

The company has no recognised gains or losses for the financial year other than those reported above.

Balance sheet
at 31 March 2003

	<i>Note</i>	2003 £
Current assets		
Debtors	7	5,802,872
Cash at bank and in hand		18,059
		<hr/>
		5,820,931
Creditors: amounts falling due within one year	8	(24,824)
		<hr/>
Net current assets		5,796,107
Creditors: amounts falling due after more than one year	9	(5,641,489)
		<hr/>
Net assets		154,618
		<hr/>
Capital and reserves		
Called up share capital	11	1,000
Share premium	12	99,000
Profit and loss account	13	54,618
		<hr/>
Shareholders' funds	14	154,618
		<hr/>

These financial statements were approved by the board of directors on 26 January 2004 and were signed on its behalf by:



W G Robertson
Director

Cash flow statement
for the year ended 31 March 2003

	<i>Note</i>	2003 £
Cash flow statement		
Net cash outflow from operating activities	<i>16</i>	(5,568,297)
Returns on investments and servicing of finance	<i>17</i>	(169,132)
Taxation		-
		<hr/>
Cash outflow before financing		(5,737,429)
Financing	<i>17</i>	5,755,488
		<hr/>
Increase in cash in the period		18,059
		<hr/>
Reconciliation of net cash flow to movement in net debt	<i>18</i>	
Increase in cash in the period		18,059
Cash inflow from increase in debt		(5,655,489)
		<hr/>
Change in net debt resulting from cash flows		(5,637,430)
Net funds at beginning of period		-
		<hr/>
Net debt at end of period		(5,637,430)
		<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 except as noted below.

Basis of preparation

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

Turnover

Turnover represents the value of work done and services rendered, excluding sales and related taxes.

Stocks and work in progress / amounts recoverable under contracts

Costs incurred in the construction of the schools and library have been accounted for under Financial Reporting Standard ('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 Stockton-on-Tees Borough Council and the Temporary Governing Body of All Saints Voluntary Aided Church of England Secondary School. 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 construction work in progress 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 completion of the construction phase the resultant contract receivable debtor will be reclassified as a finance debtor.

Taxation

The charge for taxation is based on the results for the year 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, with 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.

Financial instruments

The company is party to derivative interest rate swap agreements, which are issued to manage exposures to fluctuations in interest rates.

Finance costs in accordance with FRS4 are charged to the profit and loss account over the life of the loan.

2 Operating expenses

	Period ended 31 March 2003 £
Materials site and production costs	5,474,325
Management fees	28,903
Other operating expenses	220
	<hr/>
	5,503,448
	<hr/>

Notes (continued)

3 Operating profit

	Period ended 31 March 2003 £
<i>Operating loss is stated after charging</i>	
Auditors' remuneration:	
Audit	5,000
Other services	-
	<u>5,000</u>

4 Remuneration of directors

The directors received no emoluments from the company during the period.

Robertson Group Limited received fees of £4,134 from the company during the year in respect of the services of WG Robertson as a director.

JC Elliot is a director of Quayle Munro Limited which is manager of the Quayle Munro PFI Fund Limited Partnership. Quayle Munro Limited received fees of £4,134 from the company during the year in respect of the services of JC Elliot as a director.

AD Darling is a director of Uberior Infrastructure Investments Limited which is a subsidiary of Bank of Scotland. Bank of Scotland received fees of £4,134 from the company during the year in respect of the services of AD Darling, MT Smith and JDG Perks as directors.

5 Net interest receivable and similar income

	Period ended 31 March 2003 £
Bank interest receivable	12,928
	<u>12,928</u>

6 Taxation

	Period ended 31 March 2003 £
Analysis of charge in period	
UK corporation tax	-
Deferred tax	54,618
	<u>54,618</u>
Tax on result on ordinary activities	54,618
	<u>54,618</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is the same as the standard rate of corporation tax in the UK (30%).

Notes (continued)

7 Debtors

	2003 £
Amounts recoverable on contracts	5,490,520
Other debtors – other taxes and social security	257,734
Deferred taxation (see note 10)	54,618
	<hr/> 5,802,872 <hr/>

Amounts recoverable on contracts include interest of £182,060 and represent payments due from Stockton-on-Tees Borough Council and the Temporary Governing Body of All Saints Voluntary Aided Church of England Secondary School in respect of the project agreement. These payments are recoverable over the remaining life of the agreement starting from the date of operation.

8 Creditors: amounts falling due within one year

	2003 £
Senior debt	14,000
Accruals and deferred income	10,824
	<hr/> 24,824 <hr/>

9 Creditors: amounts falling due after more than one year

	2003 £
Senior debt	4,884,294
Subordinated debt due to parent company	757,195
	<hr/> 5,641,489 <hr/>

The company has a 24 year term loan with Bank of Scotland secured by fixed and floating charges over its assets and undertakings. The term loan is also secured by a guarantee supported by fixed and floating charges over the assets and undertakings of the company's parent company, Robertson Education (Ingleby Barwick) Holdings Limited. The loan bears interest at 5.84% per annum under a swap agreement entered into by the company. The swap rate is fixed for the duration of the swap.

Subordinated debt provided by Robertson Education (Ingleby Barwick) Holdings Limited bears interest at 14% and is repayable in 2028.

Notes (continued)

9 Creditors: amounts falling due after more than one year (continued)

	2003 £
Debt can be analysed as falling due:	
In one year or less, or on demand	-
Between one and two years	14,000
Between two and five years	170,000
In five years or more	1,282,000
	4,189,489
	<hr/>
	5,655,489
	<hr/>

10 Deferred tax

	Deferred taxation £
At beginning of period	-
Credit to the profit and loss for the period	54,618
	<hr/>
At end of period (note 7)	54,618
	<hr/>

The elements of deferred taxation are:

	2003 £
Other timing differences	54,618
	<hr/>

11 Called up share capital

	2003 £
<i>Authorised</i>	
100 ordinary shares of £0.01	1,000
	<hr/>

On 23 April 2002 the 100 ordinary shares of £1 each were subdivided into 10,000 ordinary shares of £0.01 each. Furthermore, the authorised share capital of the company was increased to £1,000 divided into 100,000 ordinary shares of £0.01 each.

	2003 £
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £0.01 each	1,000
	<hr/>

Notes (continued)

12 Share premium account

	2003 £
On shares issued during the period	99,000

13 Profit and loss account

	£
At beginning of period	-
Retained profit for the period	54,618
At end of period	54,618

14 Reconciliations of movements in shareholders' funds for the period ended 31 March 2003

	2003 £
Profit for the financial period	54,618
New share capital subscribed (net of issue costs)	100,000
Net addition to shareholders' funds	154,618
Opening shareholders' funds	-
Closing shareholders' funds	154,618

15 Commitments

At 31 March 2003 the company had authorised and contracted capital commitments of £3,734,614.

16 Reconciliation of operating loss to net cash outflow from operating activities

	2003 £
Operating loss	(12,928)
Increase in debtors	(5,566,193)
Increase in creditors	10,824
Net cash outflow from operating activities	(5,568,297)

Notes (continued)

17 Analysis of cash flows

	2003 £
Returns on investments and servicing of finance	
Interest received	12,928
Interest paid	(182,060)
	<u>(169,132)</u>
Financing	
Issue of ordinary share capital	100,000
Debt due within one year:	
Senior debt	14,000
Debt due after one year:	
Senior debt	4,884,293
Subordinated debt	757,195
	<u>5,755,488</u>

18 Analysis of changes in net debt

	At beginning of year £	Cash flows £	At end of year £
Cash at bank and in hand	-	18,059	18,059
	-		-
	<u>-</u>	<u>18,059</u>	<u>18,059</u>
Debt due after more than one year		(5,641,489)	(5,641,489)
Debt due within one year		(14,000)	(14,000)
	<u>-</u>	<u>(5,637,430)</u>	<u>(5,637,430)</u>

Notes (continued)

19 Related party disclosures

During the year the company incurred the following expenditure with the following related parties. The amounts receivable and payable outstanding at the end of the year are also set out below:

Related Party	Relationship	Class of Transaction	2003 Income/ (Expenditure) £	2003 Debtor/ (Creditor) £
Robertson Group Limited	50% shareholders of Robertson Education (Ingleby Barwick) Holdings Limited	Construction/Management Services	(4,635,148)	(24,598)
Uberior Infrastructure Investments Limited /Bank of Scotland	30% shareholders of Robertson Education (Ingleby Barwick) Holdings Limited	Financial Advisory Work	(452,359)	(25,582)
Quayle Munro PFI Fund Limited Partnership/Quayle Munro Limited	20% shareholders of Robertson Education (Ingleby Barwick) Holdings Limited	Financial Advisory Work	(170,897)	(9,839)

20 Ultimate parent company

The company's ultimate holdings company is Robertson Education (Ingleby Barwick) Holdings Limited, a company incorporated in England and Wales.