

**AURA (NEWCASTLE) PROJECT COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**For the period 24 January 2007 to 31 March 2008**

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COMPANIES HOUSE

**Registered in England and Wales No. 6064430**

# AURA (NEWCASTLE) PROJECT COMPANY LIMITED

## REPORT OF THE DIRECTORS

Directors	D R V Luscombe	(appointed 24 January 2007)
	R J W Wotherspoon	(appointed 24 January 2007)
	A P Fordyce	(appointed 4 July 2007)
	D B Lindsay	(appointed 4 July 2007 and resigned 11 July 2008)
	K J Thirlwell	(appointed 4 July 2007)
	B M Cashin	(appointed 15 July 2008)
Secretary	R P Walker	(appointed 13 June 2007)
	R J W Wotherspoon	(appointed 24 January 2007 and resigned 13 June 2007)

The directors present their report and the financial statements for the period 24 January 2007 to 31 March 2008

### 1 COMPANY HISTORY

The company was incorporated on 24 January 2007 with an authorised share capital of 50,000 ordinary shares of £1 each and an issued share capital of 1 ordinary share of £1

On 4 July 2007 the company issued a further 49,999 ordinary shares of £1 each, which have been added to the share capital brought forward of £1 to give a share capital of £50,000 carried forward

### 2 RESULTS FOR THE PERIOD

The loss for the period on ordinary activities after taxation amounted to £6,345 which has been carried forward

The directors cannot recommend payment of a final dividend

### 3 PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

On 5 July 2007 the company completed financial close on a Private Finance Initiative project to design, build, finance and operate seven schools in Newcastle upon Tyne

On the same date the company entered into two term debt facilities with BNP Paribas (BNP) and European Investment Bank (EIB) totalling £106,551,250. Further funding is to be provided by subordinated loans from the shareholders

As at the balance sheet date, the project has completed £65.4m of the £109.6m construction phase. The first school became operational during May 2008, with the final school expected to become operational by March 2009. Final completion of the construction is expected by March 2010.

### 4 REVIEW OF THE BUSINESS

The company continues to meet its contractual obligations to Newcastle City Council whilst also working to improve its efficiency in controlling costs

Key performance indicators (KPIs) include the monitoring of cash flow and the management of working capital

The company's operations are managed under the supervision of its directors in accordance with its funding arrangements. These operations are largely determined by the detailed terms of the PFI contract. For this reason, the company's directors consider that further KPIs for the company are not necessary or appropriate for an understanding of the performance or position of the business.

### 5 PRINCIPAL RISKS AND UNCERTAINTIES

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below

#### *Interest rate risk*

The company hedged its interest rate risk at the inception of the project through the use of interest rate swaps on the majority of its debt

## AURA (NEWCASTLE) PROJECT COMPANY LIMITED

### REPORT OF THE DIRECTORS

#### 5 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

##### *Inflation risk*

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation

##### *Liquidity risk*

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. The nature of the project is such that cash flows are reasonably predictable

##### *Credit risk*

The company receives its revenue from Newcastle City Council

#### 6 DIRECTORS

D R V Luscombe and R J W Wotherspoon were appointed as directors on 24 January 2007. A P Fordyce, D B Lindsay and K J Thirlwell were appointed as directors on 4 July 2007

On 11 July 2008 D B Lindsay resigned as a director and on 15 July 2008 B M Cashin was appointed as a director

#### 7 PAYMENT TO CREDITORS

The company agrees terms and conditions for business transactions with its suppliers. Payment is made in accordance with these terms, subject to the terms and conditions being met by the supplier

The company exhibits creditor days of 23 in respect of invoiced goods and services and certified amounts due to subcontractors. This figure excludes amounts not currently due for payment but included within trade creditors

#### 8 DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that -

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S 234ZA of the Companies Act 1985

#### 9 AUDITORS

Baker Tilly UK Audit LLP were appointed by the board as auditors of the company, and in accordance with S 385, Companies Act 1985, a resolution proposing their re-appointment as auditors of the company will be presented to the members at the forthcoming Annual General Meeting

By Order of the Board

  
R J W Wotherspoon  
Director

Registered Office  
Eaton Court  
Maylands Avenue  
Hemel Hempstead  
Herts  
HP2 7TR

16/9/2008

## AURA (NEWCASTLE) PROJECT COMPANY LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable laws). The financial statements are required by law to 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 that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, 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 keeping proper accounting records which 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 the company's system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AURA (NEWCASTLE) PROJECT COMPANY LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AURA (NEWCASTLE) PROJECT COMPANY LIMITED

We have audited the financial statements of Aura (Newcastle) Project Company Limited for the period from 24 January 2007 to 31 March 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP  
Chartered Accountants and Registered Auditors  
1<sup>st</sup> Floor, 46 Clarendon Road  
Watford  
Hertfordshire WD17 1JJ

25 September 2008

2008

# AURA (NEWCASTLE) PROJECT COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

Period from 24 January 2007 to 31 March 2008

	<u>Notes</u>	24 January 2007 to <u>31 March 2008</u>  £
Turnover - continuing operations	1	65,413,369
Cost of sales	1	(65,413,369)
		<hr/>
Gross profit		-
Administrative expenses		(227,498)
		<hr/>
Operating loss - continuing operations	2	(227,498)
Interest receivable	4	279,089
Interest payable and similar charges	5	(57,936)
		<hr/>
Loss on ordinary activities before taxation		(6,345)
Tax on loss on ordinary activities	6	-
		<hr/>
Retained loss for the financial period	13	(6,345)
Profit and loss account brought forward		-
		<hr/>
Profit and loss account carried forward		(6,345)
		<hr/>

There are no recognised gains or losses other than the retained loss for the financial period and therefore no statement of total recognised gains and losses is given

The notes on pages 7 to 13 form part of these financial statements

# AURA (NEWCASTLE) PROJECT COMPANY LIMITED


## BALANCE SHEET AS AT 31 MARCH 2008

	<u>Notes</u>	31 March <u>2008</u>
		£
<b>CURRENT ASSETS</b>		
Work in progress		2,319,383
Debtors Amounts falling due within one year	7	3,260,385
Debtors Amounts falling due after more than one year	8	64,694,780
Cash at bank and in hand		8,584,225
		<hr/>
		78,858,773
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<hr/> (7,817,770)
<b>NET CURRENT ASSETS</b>		<hr/> 71,041,003
<b>CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10	<hr/> (70,997,348)
<b>NET ASSETS</b>		<hr/> <hr/> 43,655
<b>CAPITAL AND RESERVES</b>		
Called up share capital	12	50,000
Profit and loss account		(6,345)
		<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<hr/> <hr/> 43,655

The notes on pages 7 to 13 form part of these financial statements

The financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

  
D R V Luscombe

Director

16/9/2008

## AURA (NEWCASTLE) PROJECT COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2008

#### 1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular policies adopted are described below and have been applied consistently in the current period.

##### Accounting convention

The financial statements have been prepared under the historical cost convention.

##### Loans

Loans are stated after the deduction of costs incurred in the arrangement of the finance. These costs are amortised over the period of the loan on a reducing balance basis.

##### Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

For an interest swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contracts.

##### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that 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 in which they are included in 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.

##### Work in progress

Work in progress includes all construction related costs and bid costs incurred after the company became preferred bidder. It also includes all finance costs incurred during the construction period. Work in progress does not include any interest receivable since such receipts are taken directly to the profit and loss account.

##### Turnover, cost of sales and finance debtor

During the construction period turnover is recognised periodically in the profit and loss account and a finance debtor is recorded in the balance sheet based upon the value of the construction work done. At the same time, costs are transferred from work in progress to cost of sales in the profit and loss account such that no overall profit is recognised during the construction phase.

##### Cash flow

Under Financial Reporting Standard No. 1, Cash Flow Statements, the company is exempt from the requirement to prepare a cash flow statement since it is included within the consolidated accounts of the ultimate parent company.



# AURA (NEWCASTLE) PROJECT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2008

### 2 OPERATING LOSS

Operating loss is derived at after charging

24 January 2007  
to  
31 March 2008  
£

Auditors' remuneration - audit fee	17,500
- non-audit fee - tax	7,500

### 3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the period and no emoluments were paid to the directors in respect of their services to the company £15,000 was payable to the controlling shareholders for directors' services

### 4 INTEREST RECEIVABLE

24 January 2007  
to  
31 March 2008  
£

Bank interest	279,089
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### 5 INTEREST PAYABLE

24 January 2007  
to  
31 March 2008  
£

Interest payable	
BNP term loan	793,622
EIB term loan	764,166
BNP equity bridge loan	342,219
Subordinate loan	83,493

1,983,500

Commitment fees	
BNP term loan	108,450
EIB term loan	80,367
BNP Change in Law facility	5,030

193,847

FRS4 Amortisation	
BNP term loan	5,567
EIB term loan	3,463
BNP equity bridge loan	30,276
BNP Change in Law facility	13,600

52,906

	2,230,253
Transfer to work in progress	(2,172,317)

Charged to profit and loss account	57,936
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# AURA (NEWCASTLE) PROJECT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2008

### 6 TAX ON LOSS ON ORDINARY ACTIVITIES

24 January 2007  
to  
31 March 2008  
£

On the results for the period

Corporation tax - current period

Deferred tax - current period

-

-

-

Factors affecting the tax credit for the current period

24 January 2007  
to  
31 March 2008  
£

Loss on ordinary activities before taxation

(6,345)

United Kingdom Corporation Tax at 30%

(1,903)

Unrelieved tax losses arising in the period

1,903

Current tax charge for the period

-

### 7 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

31 March  
2008  
£

Trade debtors

504,297

Finance debtor

718,589

Taxation - VAT

1,548,776

Prepayments and accrued income

488,723

3,260,385

### 8 DEBTORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

31 March  
2008  
£

Finance debtor

64,694,780

# AURA (NEWCASTLE) PROJECT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2008

### 9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2008 £
Trade creditors	267,641
Accruals and deferred income	7,550,129
	<hr/>
	7,817,770
	<hr/>

### 10 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2008 £
Loans (see note 11)	69,165,745
Accruals and deferred income	1,831,603
	<hr/>
	70,997,348
	<hr/>

### 11 LOANS

	Loan £	Arrangement Cost £	FRS4 Amortisation £	Total £
(a) BNP term loan	30,025,000	(427,400)	5,567	29,603,167
(b) EIB term loan	29,934,787	(265,832)	3,463	29,672,418
(c) BNP equity bridge loan	8,174,520	(30,276)	30,276	8,174,520
(d) Subordinate loan	1,917,480	-	-	1,917,480
(e) Shareholder loans	-	(201,840)	-	(201,840)
(f) Change in Law Facility	-	(13,600)	13,600	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	70,051,787	(938,948)	52,906	69,165,745
	<hr/>	<hr/>	<hr/>	<hr/>

- (a) The BNP term loan bears interest at LIBOR plus an applicable margin plus the Reserve Asset Costs. The applicable margin is 0.7% until 30 September 2009 and 0.6% thereafter. An interest rate swap has been used to reduce the company's exposure to fluctuating interest rates. The loan is repayable in semi-annual instalments from 31 March 2011 to 30 September 2033 plus a final payment on 31 December 2033.
- (b) The EIB term loan bears interest at 5.589% plus an applicable margin. The applicable margin is 0.6% until 30 September 2011 and 0.15% thereafter. The loan is repayable in semi-annual instalments from 31 March 2010 to 30 September 2032 plus a final payment on 31 December 2032.

**AURA (NEWCASTLE) PROJECT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Period ended 31 March 2008

**11 LOANS (CONTINUED)**

The total term loan facility available is £106,551,250. The term loans are part of the senior debt facility and are secured by a fixed and floating charge over the assets of the company.

The (a) and (b) loans are repayable as follows:

	31 March 2008 £
In 1 - 2 years	518,468
In 2 - 5 years	6,983,995
Over 5 years	52,457,324
	<hr/> 59,959,787 <hr/>

- (c) Interest on the BNP equity bridge loan is charged at the aggregate of LIBOR, 0.2% and the Reserve Assets Costs. An interest rate swap has been used to reduce the company's exposure to fluctuating interest rates. The loan has been fully drawn down, and is repayable in full on 30 September 2009. The equity bridge loan is subordinate to the term loans.
- (d) Interest on the subordinate loan is charged at 5.91%. The loan has been fully drawn down and is repayable in full on 30 September 2009. The loan is held by Aura (Newcastle) Holding Company Limited, the company's immediate parent company. It is subordinate to all the other loans.
- (e) There is a commitment from Aura (Newcastle) Holding Company Limited to invest £10,092,000 of subordinate loans on 30 September 2009. There is a commitment from the company's ultimate shareholders to invest this amount in turn into Aura (Newcastle) Holding Company Limited by the same date.
- (f) In addition to the term, equity bridge and subordinate loans, a Change in Law facility of £1,700,000 is also available.

Arrangement costs relate to those costs incurred in raising the term loans, equity bridge loan, Change in Law facility and shareholder loans. All arrangement costs capitalised are amortised over the period of the debt to which they relate, with the exception of the arrangement cost of the change in law facility. As there is no set drawdown or repayment profile for this facility, the costs have been fully amortised immediately.

The directors consider that, after reviewing the latest forecasts, the company has sufficient funds to cover its short term liabilities and will be in a position to pay its long term debts as they reach maturity.

**12 CALLED UP SHARE CAPITAL**

	31 March 2008 £
Authorised share capital	
50,000 Ordinary shares of £1 each	50,000
	<hr/>
Allotted, called up and fully paid	
50,000 Ordinary shares of £1 each	50,000
	<hr/>

## AURA (NEWCASTLE) PROJECT COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2008

#### 13 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	31 March 2008 £
Issue of share capital on 24 January 2007	1
Issue of share capital on 4 July 2007	49,999
Retained loss for the financial period	(6,345)
	<hr/>
Closing equity shareholders' funds	43,655
	<hr/>

#### 14 DERIVATIVES NOT INCLUDED IN FAIR VALUE

At the balance sheet date the company had the following open derivatives that were not included in the accounts at fair value

	31 March 2008 £
Fair value of derivative	
Loss on interest rate swaps	5,515,252
	<hr/>

#### 15 RELATED PARTY TRANSACTIONS

The company has entered into the following material transactions with related parties

On 5 July 2007 the company entered into a contract with a shareholder of its ultimate parent company for the construction of seven schools in Newcastle. An amount of £65,413,369 was payable under this contract during the period and has been included within the finance debtor. £9,001,618 was unpaid at the period end, of which £7,367,864 was included within accruals and deferred income due within one year and £1,633,754 was included within accruals and deferred income due in more than one year at the period end.

Prior to financial close of the Private Finance Initiative project on 5 July 2007 bid costs were incurred by the company, but paid for by the company's ultimate shareholders. Amounts totalling £1,440,857 were reimbursed to the shareholders by the company following financial close, together with management fees of £1,435,586, letter of credit fees of £210,251 and equity arrangement fees of £201,840. Also included within the bid costs were amounts totalling £537,500 relating to set up costs of a shareholder of the immediate parent company. These were recharged during the period to that shareholder.

The company incurred a charge of £400,000 from a shareholder of the immediate parent company in respect of costs incurred prior to financial close of the Private Finance Initiative project.

Insurance of £49,802 was paid by the company on behalf of a shareholder of its immediate parent company. This was subsequently reimbursed by that shareholder.

During the period an amount of £238,505 was payable in respect of mobilisation services to Robertson Facilities Management Limited, a group member of one of the company's ultimate shareholders. Of this, £26,886 was unpaid at the period end and included within trade creditors.

During the period an amount of £26,250 was payable in respect of running costs to Parsons Brinckerhoff Limited, a group member of one of the company's ultimate shareholders. Of this, £26,250 was unpaid at the period end and included within accruals and deferred income due within one year.

## AURA (NEWCASTLE) PROJECT COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2008

#### 15 RELATED PARTY TRANSACTIONS (CONTINUED)

On 5 July 2007 the company entered into a contract with a shareholder of its immediate parent company for administrative, company secretarial and contract management services £79,504 was payable under this contract during the period, and £8,995 was included within accruals and deferred income due within one year at the period end

A fee of £15,000 was payable to the company's ultimate parent company for directors' services during the period, and was included within accruals and deferred income due within one year at the period end

A fee of £100,000 was payable to the company's ultimate shareholders for management services during the period, and was included within accruals and deferred income due within more than one year at the period end

A loan of £1,917,480 was provided by the company's immediate parent company during the period Interest of £83,493 was payable on this loan

#### 16 ULTIMATE PARENT COMPANY

The immediate controlling party is Aura (Newcastle) Holding Company Limited and the ultimate parent company is Aura Holdings (Newcastle) Limited which is incorporated in Great Britain and registered in England and Wales Aura Holdings (Newcastle) Limited is the only company to prepare consolidated accounts which include the results of this entity Copies of the group accounts can be obtained from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR