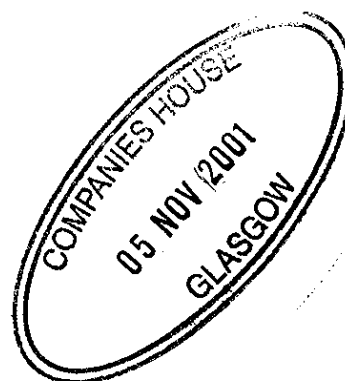


## 3Ed Glasgow Limited

Directors' Report and Accounts as at 31 December 2000  
Registered Number SC190330



*DAM*



## Directors' Report and Financial Statements

### Contents

Directors' Report	1
Statement of Directors' Responsibilities	3
Report of the auditors to the shareholders of 3Ed Glasgow Limited	4
Profit and Loss Account	5
Balance sheet	6
Notes	7

## Directors' Report

The Directors present their report and audited accounts for the year ended 31 December 2000.

### Review of the Business

The company was formed to design, construct, refurbish and provide lifecycle maintenance, facilities management and information technology services to schools within the Glasgow area over a 30 year period. Included within the project are 29 secondary schools and 1 primary school. The partnership with Glasgow City Council is currently the largest schools project in the UK under the government's Public-Private Partnership.

Twelve new schools are to be built, the remaining eighteen being fully upgraded and refurbished, several with major extensions. All schools will have a fully equipped library, a networked learning centre with computers and study areas. Pupils will have their own e-mail address and access to a bank of computerised learning programmes. There will be improved indoor and outdoor sports facilities. State of the art security will be in place in all schools. Modernised classrooms and draught-free double glazed windows will transform learning conditions for pupils and teachers.

The 3ED consortium is comprised of The Miller Group, Amey Ventures Limited and Halifax Project Investments Limited, with technology partner Mitel, supported by Hewlett Packard and Morse.

During the year the company commenced the above works and provision of services.

### Results and Dividend

The results for the year are set out in the attached profit and loss account. The loss for the year of £19,973,018 has been transferred to reserves.

### Directors and Directors' Interests

The Directors who held office during the year were as follows:

A G Bremner	(Appointed 5 <sup>th</sup> December 2000)
D Hatzis	(Resigned 6 <sup>th</sup> December 2000)
N C T Kelly	(Resigned 5 <sup>th</sup> December 2000)
I A MacDonald	(Appointed 5 <sup>th</sup> December 2000)
R S Mackie	
M W McEwan	(Appointed 5 <sup>th</sup> December 2000)
C M Mogg	
A L Nelson	(Appointed 6 <sup>th</sup> October 2000)
J D M Smallwood	(Appointed 29 <sup>th</sup> June 2000)
D I Sutherland	(Appointed 5 <sup>th</sup> December 2000)
N J Wakefield	(Appointed 29 <sup>th</sup> June 2000)

None of the Directors who held office at the end of the financial year had any interest in the share capital of the company.

### Auditors

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

## Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts 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 accounts, the Directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

## Report of the auditors to the shareholders of 3Ed Glasgow Limited

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

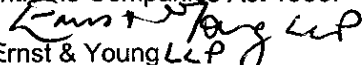
### Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
George House  
50 George Square  
Glasgow  
G2 1RR

9 October 2001

**Profit and Loss Account**  
*for the year ended 31 December 2000*

	Note	12 months to 31 December 2000 £	15 months to 31 December 1999 £
Turnover		1,647,328	-
Cost of Sales		(13,806,274)	-
<b>Gross (loss)</b>		<b>(12,158,946)</b>	-
Administrative expenses		(9,898,211)	-
<b>Operating (loss)</b>	3	<b>(22,057,157)</b>	-
Income from sale of tax losses		2,131,723	-
Bank interest receivable		480,717	-
Interest payable	5	(528,301)	-
<b>Loss on ordinary activities before taxation</b>		<b>(19,973,018)</b>	-
Tax on loss on ordinary activities		-	-
<b>Retained loss for the financial period</b>		<b>(19,973,018)</b>	-

There are no recognised gains or losses other than the loss for the period of £19,973,018.

**Balance sheet**  
**at 31 December 2000**

	Note	2000 £	1999 £
<b>Tangible fixed assets</b>	6	43,269,660	-
<b>Current assets</b>			
Debtors	7	7,661,496	2
Cash at bank and in hand		17,390,021	-
		<u>25,051,517</u>	<u>2</u>
<b>Creditors: amounts falling due within one year</b>	8	(7,321,494)	-
		<u>17,730,023</u>	<u>2</u>
<b>Net current assets</b>		17,730,023	2
<b>Total assets less current liabilities</b>		60,999,683	2
<b>Creditors: amounts falling due after more than one year</b>	9	(80,952,701)	-
		<u>(19,953,018)</u>	<u>2</u>
<b>Net Liabilities</b>		<u>(19,953,018)</u>	<u>2</u>
<b>Capital and reserves</b>			
Called up share capital	10	20,000	2
Profit and loss account		(19,973,018)	-
		<u>(19,953,018)</u>	<u>2</u>
<b>Equity shareholders' deficit</b>		<u>(19,953,018)</u>	<u>2</u>

These accounts were approved by the board of Directors on 9th October 2001 and were signed on its behalf by:



**M W McEwan**  
Director



**A L Nelson**  
Director

## Notes

(forming part of the accounts)

### 1. Accounting Policies

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

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

The accounts have been prepared under the historical cost accounting rules and in accordance with applicable Accounting Standards. The accounts have been prepared on the going concern basis as the financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

#### ***Cash flow statement***

The company is exempt from the requirement of Financial Reporting Standard number 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

It is the policy of 3Ed Glasgow Limited to sell tax losses to shareholders at market rate.

#### ***Fixed assets***

All fixed assets have been incorporated at cost.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their expected useful lives as follows:

Buildings	27-30 years
Machinery and Equipment	3-5 years
Other assets	3-5 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, being the provision of construction, refurbishment, facilities management and information technology services to schools.



3. **Operating Loss**

	12 months to 31 December 2000 £	15 months to 31 December 1999 £
<i>Operating loss is stated after charging :</i>		
Auditors' remuneration	15,000	-
Depreciation	604,816	-
Operating Lease Rentals: Office Lease	21,183	-

4. **Directors' Emoluments**

The Directors did not receive any remuneration from the company during the year.

5. **Interest payable**

	12 months to 31 December 2000 £	15 months to 31 December 1999 £
On bank loans	509,265	-
Other	19,036	-
	<u>528,301</u>	<u>-</u>

6. Fixed assets

	<b>Machinery &amp; Equipment</b>	<b>Other Fixed Assets</b>	<b>Assets in the Course of Construction</b>	<b>Total</b>
	£	£	£	£
<b>Cost</b>				
At 1 January 2000	-	-	-	-
Additions	7,253,824	3,607	36,617,045	43,874,476
At 31 December 2000	7,253,824	3,607	36,617,045	43,874,476
<b>Depreciation</b>				
At 1 January 2000	-	-	-	-
Charge for year	604,485	331	-	604,816
At 31 December 2000	604,485	331	-	604,816
<b>Net Book Value</b>				
At 31 December 2000	6,649,339	3,276	36,617,045	43,269,660
At 31 December 1999	-	-	-	-

Included within Assets in the Course of Construction is £1,338,711 of capitalised interest.

**7. Debtors**

	2000 £	1999 £
Trade Debtors	73,712	-
Other Debtors	2,166,931	-
Other Taxes & Social Security	2,476,772	-
Amounts Owed by Parent Company	20,000	2
Prepayments	2,924,081	-
	<u>7,661,496</u>	<u>2</u>

**8. Creditors: amounts falling due within one year**

	2000 £	1999 £
Trade creditors	4,040,574	-
Other Creditors	2,113,199	-
Accruals	1,167,721	-
	<u>7,321,494</u>	<u>-</u>

**9. Creditors: amounts falling due after more than one year**

	2000 £	1999 £
Wholly repayable within five years:		
£33,500,000 bank loan at variable rate, repayable December 2003	33,500,000	-
Not wholly repayable within five years:		
£265,250,000 bank loan at variable rate, repayable in instalments commencing December 2002	47,452,701	-
	<u>80,952,701</u>	<u>-</u>
The maturity of debt is as follows:		
	2000 £	1999 £
In one year or less or on demand	-	-
Between one and two years	-	-
Between two and five years	33,500,000	-
In five years or more	47,452,701	-
	<u>80,952,701</u>	<u>-</u>

All loans have been have been assigned to Halifax PLC as security trustee via Scots Law.

10. Share Capital

	2000 £	1999 £
Authorised Ordinary Shares of £1 each	100,000	100
Allotted, called up and unpaid Ordinary Shares of £1 each	20,000	2

During the year, the authorised share capital was increased by £99,900 by the creation of 99,900 ordinary shares of £1 each.

During the year, 19,998 ordinary shares of £1 each, with an aggregate nominal value of £19,998, were issued.

11. Reconciliation of Shareholders' Funds and Movement on Reserves

	Share Capital £	Profit & Loss Account £	Total Shareholders Funds £
At 1 January 2000	2	=	2
Loss for the Year	-	(19,973,018)	(19,973,018)
Share Issues	19,998	-	19,998
<b>At 31 December 2000</b>	<b><u>20,000</u></b>	<b><u>(19,973,018)</u></b>	<b><u>(19,953,018)</u></b>

12. Capital Commitments

Amounts contracted for but not provided in the accounts amounted to £197,185,887 (1999 - £0).

13. Other Financial Commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases, relating to Land and Buildings, as follows:

	£
Operating Leases which expire:	
Within one year	-
In two to five years	179,071
In over five years	-

There were no Other Financial Commitments as at 31<sup>st</sup> December 2000.

#### 14. Transactions with Related Parties

During the year, the company purchased services in the normal course of business from shareholders of 3ED Holdings Limited, the ultimate holding company (see note 15), in the following amounts:

- Amey Ventures Limited	£486,667 (1999 – nil)
- The Miller Group Limited	£412,750 (1999 – nil)
- Halifax Project Investments Limited	£166,536 (1999 – nil)

No amounts were due as at 31<sup>st</sup> December 2000 to shareholders of 3ED Holdings Limited.

##### The Amey Group – goods & services

During the year, the company purchased facility management and other services from Amey Business Services Limited, a related party of Amey Ventures Limited, for £3,500,795 (1999 – nil). At the balance sheet date the amount due to Amey Business Services Limited was £851,076 (1999 – nil).

During the year, the company purchased design & build and other services from Amey – Miller Glasgow Construction Joint Venture, a joint venture between Amey Construction Limited (a related party of Amey Ventures Limited) and The Miller Group Limited, for £36,425,497 (1999 – nil). At the balance sheet date the amount due to Amey – Miller Glasgow Construction Joint Venture was nil (1999 – nil).

##### The Miller Group – goods & services

During the year, the company purchased services from The Miller Group Limited, for £128,677 (1999 – nil). At the balance sheet date the amount due to The Miller Group Limited was nil (1999 – nil).

##### Halifax Group – goods & services

During the year, the company incurred loan interest and fees payable to Halifax PLC, a related party of Halifax Project Investments Limited, of £4,921,244 (1999 – nil). At the balance sheet date the amount due to Halifax PLC was nil (1999 – nil).

Tax losses were sold to the shareholders of 3ED Holdings Limited. The full amount was due as at 31<sup>st</sup> December 2000.

#### 15. Parent Undertaking and Controlling Party

The company is a wholly owned subsidiary of 3Ed Holdings Limited, company number SC190329. The accounts of 3Ed Holdings Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.