Edinburgh Schools Partnership Limited

Directors' Report and Accounts for the year ended 31 December 2002
Registered Number SC206930

Directors' Report and Financial Statements

Contents

Directors' report

The Directors present their report and audited accounts for the year ended 31 December 2002.

Principle activity

The Company was formed to design, construct and refurbish, and to provide lifecycle maintenance and facilities management services to schools within the Edinburgh area over a 32-year period. The partnership with the City of Edinburgh Council has been procured under the government's Public Private Partnership initiative.

Review of business and future developments

Over the year, construction of 5 schools has been completed and Edinburgh Schools Partnership now provides facilities management services and lifecycle maintenance to these schools, as they will for all future schools as they are completed.

Of the 13 remaining schools 10 are due to complete by August 2003. One, Firrhill Secondary School, is subject to a Council Notice of Change pending a final decision by the Council on the possibility of creating a campus on the site by adding a grouping of one primary and one special school adjacent to this Secondary School. St Peter's Primary School is being removed from the Project as planning consent has not been obtained in line with the Project Agreement Planning Longstop Date. The last, North Merchiston Special School, an existing empty school being refurbished to accommodate this new school, was destroyed in a fire and will be removed from the project, although Edinburgh Council is reviewing whether this school could be built at another location within the Project.

Edinburgh Schools Partnership Limited is a wholly owned subsidiary of ESP (Holdings) Limited. As at 31 December 2003, the shareholders in ESP (Holdings) Limited are Argon Ventures Limited (formerly Amey Ventures Limited), Miller Construction (UK) Limited, Quayle Munro PFI Fund Limited Partnership and Uberior Infrastructure Investments Limited.

On 14 March 2003, Amey plc sold Argon Ventures Limited to Laing Investments Limited, a fully owned subsidiary of John Laing plc.

Results and dividends

The company's loss for the financial year is £1,587,844 (2001 loss of £11,617,944). The directors do not recommend the payment of a dividend.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 Febuary 2003 and the directors appointed its sucessor, PricewaterhouseCoopers LLP as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

Directors and their interests

The directors who held office during the year are given below:

DI Sutherland (resigned 21 March 2003)
JJ McCormack (resigned 21 March 2003)
GD Blood (appointed 28 March 2003)
N Smith (appointed 28 March 2003)
RS Mackie
AG Bremner
PR Grant
AD Darling

None of the directors had any interest in the company or the group.

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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained under Note 1 "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities..

Small company exemptions.

This report has been prepared in accordance with the special provision of Part VII of the Companies Act 1985, applicable to small companies.

By order of the board

Director

Independent auditors report to the members of Edinburgh Schools Partnership Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors` responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

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 at 31 December 2002 and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors,
Edinburgh
2003

28 March 2003.

Profit and Loss Account
for the year ended 31 December 2002

	Note	**12 months to 31 December 2002 £**	12 months to 31 December 2001 £
Turnover		**326,627**	-
Cost of Sales		**(1,270,647)**	-
Gross Profit		**(944,020)**	-
Administrative expenses		**(932,936)**	(11,563,905)
Operating loss	*2*	**(1,876,956)**	(11,563,905)
Interest receivable		**53,463**	15,879
Interest payable	*4*	***(1,081,574)***	*(69,918)*
Loss on ordinary activities before tax		**(2,905,067)**	(11,617,944)
Tax on loss on ordinary activities	*5*	**-**	-
Income from sale of tax losses		**1,317,223**	-
Retained profit for the financial year		**(1,587,844)**	(11,617,944)

There are no recognised gains or losses other than the loss for the period of £1,587,844.

The notes on pages 6 to 12 form part of these financial statements.

Balance sheet
at 31 December 2002

	Note	2002 £	2001 £
Tangible fixed assets	6	**58,061,454**	12,702,383
Current assets			
Debtors	7	**2,494,369**	4,234,444
Cash at bank and in hand		**8,499,358**	4,063,624
		10,993,727	8,298,068
Creditors: amounts falling due within one year	8	**(18,663,930)**	(6,490,205)
Net current assets		**(7,670,203)**	1,807,863
Total assets less current liabilities		**50,391,251**	14,510,246
Creditors: amounts falling due after more than one year	9	**(55,448,606)**	(26,109,795)
Deferred Income	10	**(8,130,038)**	-
Net liabilities		**(13,187,393)**	(11,599,549)
Capital and reserves			
Called up share capital	11	**83,395**	83,395
Profit and loss account		**(13,270,788)**	(11,682,944)
Total equity shareholder funds	12	**(13,187,393)**	(11,599,549)

The directors have taken advantage in the preparation of these accounts of special provisions of Part VII of the Companies Act 1985 applicable to small companies. The accounts were approved by the board of directors on 28/3/3 2003 and are signed on its behalf by:

RJ Mackie

Director

Director

Notes – 31 December 2002
(forming part of the accounts)

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

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. 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 1 to prepare a cash flow statement as it qualifies as a small company under sections 246 to 249 of the Companies Act 1985.

Deferred taxation and changes in accounting policy

FRS 19 (Deferred Taxation) is effective for accounting periods ending on or after 23 January 2002. FRS 19 introduces a form of full provisioning for accounting for tax. Although adoption of FRS 19 represents a change in accounting policy, this has had no effect on previously reported results.

Deferred taxation is provided at current rates of corporation tax on all timing differences, which have originated, but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. The company, as permitted by FRS 19, has not adopted a policy of discounting deferred tax assets and liabilities.

Fixed assets

In accordance with FRS15, tangible fixed assets are stated at cost and include interest charged in respect of loans for the purpose of constructing assets up until practical completion.

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.

Depreciation charged in the year was in respect of completed assets.

Capital instruments

Shares are included in shareholder funds. Other debt instruments, which contain an obligation to repay, are classified as liabilities. The finance cost recognised in the profit and loss account in respect of capital instruments other than shares is allocated to periods over the operating life of the instrument to which they relate at a constant rate on the carrying amount.

Council contributions

Council contributions are credited to deferred income and are released to the profit and loss account in equal instalments over the life of the contract.

Notes – 31 December 2002
(forming part of the accounts)

2. Operating loss

	12 months to 31 December 2002	12 months to 31 December 2001
Operating loss is stated after charging :	**£**	£
Audit fees	**5,000**	2,500
Non-audit fees	**10,000**	857,993

During the period, the company did not directly employ any staff.

3. Directors' emoluments

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

4. Interest payable and similar charges

	12 months to 31 December 2002	12 months to 31 December 2001
	£	£
On bank loans (excluding capitalised interest)	**845,195**	69,918
Commitment fees on funds not utilised	**236,379**	-
Total	**1,081,574**	69,918

5. Taxation on the profit for the year

Factors affecting tax charge for period

	2002	2001
	£	£
Profit/(loss) on ordinary activities before tax	**(2,905,067)**	(11,617,944)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	**(871,520)**	(3,485,383)
Effects of:		
Unrecognised movement in the deferred tax asset	**846,039**	3,180,028
Expenses not deductible for tax purposes	**25,481**	305,355
Current tax charge/(credit) for the period	**-**	-

Notes – 31 December 2002
(forming part of the accounts)

6. Fixed assets

	12 months to 31 December 2002 Buildings	12 months to 31 December 2002 Plant & Machinery	12 months to 31 December 2002 Assets in the course of construction	12 months to 31 December 2002 Total
Cost	£	£	£	£
At 1 January 2002	-	-	12,702,383	12,702,383
Additions	-	-	45,612,466	45,612,466
Transfer	16,495,299	5,123,703	(21,619,002)	-
At 31 December 2002	16,495,299	5,123,703	36,695,847	58,314,849
Depreciation				
At 1 January 2002	-	-	-	-
Additions	88,475	164,920	-	253,395
At 31 December 2002	88,475	164,920	-	253,395
Net Book Value				
At 31 December 2002	16,406,824	4,958,783	36,695,847	58,061,454
At 31 December 2001	-	-	12,702,383	12,702,383

Included within assets in the course of construction is £1,754,349 of capitalised interest.

7. Debtors

	2002	2001
	£	£
Other debtors	1,030,398	-
Income from sale of tax losses	1,317,223	-
VAT recoverable	146,748	4,234,444
	2,494,369	4,234,444

Notes – 31 December 2002
(forming part of the accounts)

8. Creditors: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	**4,288,043**	6,490,205
£8,092,310 bank loan at fixed rate, repayable August 2003	**7,671,077**	-
Other creditors repayable no later than August 2003	**3,514,495**	-
£37,065,288 bank loan at fixed rate, repayable in instalments commencing August 2003	**1,520,251**	-
£36,510,000 bank loan at fixed rate, repayable in instalments commencing August 2003	**1,670,064**	-
	18,663,930	6,490,205

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

	2002	2001
	£	£
Wholly repayable within five years:		
£8,092,310 bank loan at fixed rate, repayable August 2003	-	7,314,557
Other creditors repayable no later than August 2003	-	3,505,633
Not wholly repayable within five years:		
£37,065,288 bank loan at fixed rate, repayable in instalments commencing August 2003	**26,580,501**	5,446,462
£36,510,000 bank loan at fixed rate, repayable in instalments commencing August 2003	**28,868,105**	9,843,143
	55,448,606	26,109,795

The maturity of debt is as follows:	2002	2001
	£	£
Between one and two years	**1,116,533**	11,653,143
Between two and five years	**5,729,810**	1,236,747
In five years or more	**48,602,263**	13,219,905
	55,448,606	26,109,795

Notes – 31 December 2002
(forming part of the accounts)

Other creditors consist of amounts received from Amey Ventures Limited in connection with future surplus site sales (see note 16).

Bank Loans have been hedged via swaps entered into at the date of financial closure. Swaps resulted in *100% of outstanding Senior Debt being fixed.*

At the year end, bank loans of £45,156,241 (2001 - £45,156,241) and £36,510,000 (2001 - £36,510,000) are held with the Governor and Company of the Bank of Scotland and the European Investment Bank respectively. The Governor and Company of the Bank of Scotland and the European Investment Bank holds fixed and floating charges with ESP (Holdings) Limited (the holding company) and Edinburgh Schools Partnership Limited (the company) over the assets of the company, assignation securities from the holding company and the company over the company's right, title and interests in the Edinburgh Schools Project and a deed of pledge from the holding company in respect of shares in Edinburgh Schools Partnership Limited.

10. Deferred Income

	2001	2000
	£	£
At 1 January 2002	-	
Amounts received in the year	8,140,771	
Amortised during the year	(10,733)	-
At 31 December 2002	8,130,038	-

11. Share capital

	2002	*2001*
	£	£
Authorised		
Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	83,395	83,395

12. Provision for deferred taxation

Deferred taxation comprises:

	2002	*2001*
	£	£
Accelerated capital allowances	1,481,130	24,845
Carried forward tax losses	(1,481,130)	(24,845)
Provision for deferred tax	-	-

The total amount of the deferred tax asset not recognised is £2,103,135 (2001 - £3,180,028). This is wholly in respect of carried forward tax losses.

Notes – 31 December 2002

(forming part of the accounts

13. Reconciliation of shareholders funds and movement on reserves

	Share capital £	Profit & loss account £	Total shareholders funds £
At 1 January 2002	**83,395**	**(11,682,944)**	**(11,599,549)**
Profit for the year	-	**(1,587,844)**	**(1,587,844)**
At 31 December 2002	***83,395***	***(13,270,788)***	***(13,187,393)***

14. Capital commitments

There is a capital commitment of £26,600,000 (2001 £73,000,000) to build schools not provided in the accounts. This amount is contracted for, and will be paid out over the length of the construction period.

15. Other financial commitments

There were no other financial commitments as at 31 December 2002.

16. Transactions with related parties

During the year, the company purchased services in the normal course of business from shareholders of ESP (Holdings) Limited, the ultimate holding company (see note 17) or their groups, in the following amounts:

- Amey Ventures Limited	£138,758	(2001 - £11,433,250)
- Amey BPO Services Limited	£315,894	(2001 - nil)
- Bank of Scotland (net of issue costs)	£2,375,011	(2001 - £939,738)
- Amey Miller Construction Joint Venture	£44,895,689	(2001 - £12,619,565)

Balances due as at 31st December 2002 to shareholders of ESP (Holdings) Limited or their groups were:

- Amey Ventures Limited	£3,514,495	(2001 - £5,506,452)
- Amey BPO Services Limited	£104,581	(2001 - nil)
- Bank of Scotland (net of issue costs)	£35,771,885	(2001 - £12,761,020)
- Amey Miller Construction Joint Venture	£3,604,229	(2001 - £4,425,924)

Services purchased from Amey Ventures Limited constituted interest earned on the Amey Cash Collateral account. As part of financial closure of "the contract", the company entered into an underwriting arrangement with Amey Ventures Limited for which Amey Ventures Limited paid to the Company cash collateral of £3.5 million, which is currently included in other creditors. This amount is repayable to Amey Ventures Limited in the event that certain land sale transactions realise agreed underwritten values, and any interest earned on the balance is due to Amey Ventures Limited.

Services purchased from Bank of Scotland are loan interest and fees. In addition, interest of £53,463 (2001 – nil) was received from Bank of Scotland.

Amey BPO Services Limited are the Facilities Management providers for the schools.

Amey Miller Construction Joint Venture is a joint venture between Amey Asset Services Limited and Miller Construction (UK) Limited. Services purchased are for design and build work related to the construction of schools.

During the year, the shareholders in Edinburgh Schools Partnership purchased tax losses at a total price of £1,317,223 (2001 – nil).

Notes – 31 December 2002
(forming part of the accounts

17. Parent undertaking and ultimate controlling party

The company is a wholly owned subsidiary of ESP (Holdings) Limited, company number SC206929. The accounts of ESP (Holdings) Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.

There were no transactions between Edinburgh Schools Partnership Limited and ESP (Holdings) Limited and there were no outstanding balances at the year-end.

The Directors consider there to be no ultimate controlling party.