

Registered no: 3838084

Defence Training Services Limited
Report and accounts
for the 7 months ended 31 March 2000



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Defence Training Services Limited

Report and accounts for the 7 months ended 31 March 2000

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Defence Training Services Limited

Directors and advisors

Directors

H Lafferty
J D Smallwood
N J Wakefield
P H Gardiner
D Kirkwood
P P Ashbrook

Secretary

Jarvis Secretaries Limited

Auditors

Ernst & Young
Becket House
1 Lambeth Palace Road
London
SE1 7EU

Registered office

Frogmore Park
Watton-at-Stone
Hertford
SG14 3RU

Defence Training Services Limited

Directors' report for the 7 months ended 31 March 2000

The directors present their first report and the audited accounts for the 7 months ended 31 March 2000.

Incorporation

The Company was incorporated on 3 September 1999.

Commencement of operations

The Company commenced operating in February 2000.

Results and dividends

The result for the period attributable to shareholders which has been dealt with in the accounts and which has been added to reserves is nil. The directors do not recommend the payment of a dividend.

Principal activities

The Company was formed as a Special Purpose Company to act as a vehicle for the development, funding and operation of a PFI Project to develop, fund and operate secure training centres.

Review of the business and future developments

Both the level of business and the period end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Directors and their interests

The change in directors of the Company since incorporation is as follows:

R W Kendall	(appointed 3 September 1999, resigned 12 July 2000)
H Lafferty	(appointed 3 September 1999)
B Lucas	(appointed 3 February 2000, resigned 12 July 2000)
J D Smallwood	(appointed 3 February 2000)
N J Wakefield	(appointed 3 February 2000)
P H Gardiner	(appointed 12 July 2000)
D Kirkwood	(appointed 8 September 2000)
P P Ashbrook	(appointed 29 September 2000)

At 31 March 2000, none of the directors had any beneficial interest in the shares of the Company. The interests of H Lafferty in shares of the ultimate parent undertaking, Jarvis plc, are disclosed in the accounts of that Company.

Defence Training Services Limited

The following directors at 31 March 2000 held ordinary shares of 5p each in Jarvis plc: -

	Number of shares	
	31 March 2000	On appointment
R W Kendall	139,220	139,220
B Lucas	38,800	38,800

At 31 March 2000 the directors also held the following options over ordinary shares of Jarvis plc.

	On appoint ment	Granted in the period	Exercised in the period	31 March 1999	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
Executive share option scheme								
R W Kendall	6,462	-	-	6,462	277.50p	-	July 2000	July 2007
	93,538	-	-	93,538	277.50p	-	July 2000	July 2007
	10,000	-	-	10,000	487.00p	-	Oct 2001	Oct 2008
B Lucas	33,800	-	33,800	-	88.75p	164.75p	Oct 1999	Oct 2006
	66,200	-	-	66,200	88.75p	-	Oct 1999	Oct 2003
	7,500	-	-	7,500	271.00p	-	Aug 2002	Aug 2009
SAYE Share Save								
B Lucas	924	-	-	924	306.00p	-	Dec 2003	May 2004

Creditor payment policy

When entering into commitments for the purchase of services and goods, the Company gives due consideration to quality, delivery, price and the terms of payment. Suppliers are made aware of these terms. The Company abides by these terms whenever it is satisfied that suppliers have provided the service or goods in accordance with agreed terms and conditions. In the event of disputes, efforts are made to resolve them quickly.

Directors' and officers' insurance

The parent undertaking holds a directors' and officers' liability insurance policy covering the directors and officers of its subsidiary undertakings.

Auditors

Ernst & Young have been appointed auditors to the Company. A resolution for their reappointment will be proposed at the forthcoming AGM.

Post balance sheet event

On 29 September 2000, Jarvis plc transferred 8,416 class "B" shares (1% of issued share capital) to Halifax Projects Investments Limited for nil consideration. These shares were then re-classified as class "A" shares and one class "B" share was converted to a "Special B" share. Jarvis plc and Halifax Projects Investments Limited now rank as equal 50% shareholders in the Company.

Defence Training Services Limited

Statement of directors' responsibilities

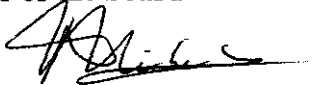
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those accounts, the directors are required:

- to select suitable accounting policies and then apply them consistently
- to make judgements and estimates that are reasonable and prudent
- to prepare accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts comply with these requirements.

The directors are responsible for ensuring that proper accounting records are kept 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 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.

By order of the board



For and on behalf of
Jarvis Secretaries Limited

Jarvis Secretaries Limited

Secretary

6 February 2001

Defence Training Services Limited

Report of the auditors to the members of Defence Training Services Limited

We have audited the accounts on pages 6 to 12, which have been prepared under the historical cost convention and the accounting policies, set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the 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

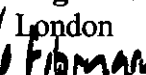
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 at 31 March 2000 and of its result for the 7 months then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor

London
 2001

Defence Training Services Limited

Profit and loss account for the 7 months ended 31 March 2000

	Notes	7 months ended 31 March 2000 £'000
Turnover	2	354
Direct expenses		(354)
Result for the year	5	-
Retained result for the year		-

The results for the 7 months above reflect the continuing operations of the Company.

The Company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the retained result for the year stated above, and its historical cost equivalent.

Defence Training Services Limited

Balance sheet at 31 March 2000

	Notes	31 March 2000 £'000
Current assets		
Debtors due within one year	6	1,891
Debtors due after more than one year	7	16,187
Cash at bank and in hand		<u>50,271</u>
		68,349
 Creditors: amounts falling due within one year	 8	 <u>(1,583)</u>
Total assets less current liabilities		66,766
Creditors: amounts falling due after more than one year	9	<u>(65,924)</u>
Net assets		<u>842</u>
 Capital and reserves		
Called up share capital	10	842
Profit and loss account		-
Equity shareholders' funds	11	<u>842</u>

The accounts on pages 6 to 12 were approved by the board on 6 February 2001 and were signed on its behalf by:



H Lafferty
Director

6 February 2001

Defence Training Services Limited

Cash Flow Statement

For the 7 months ended 31 March 2000

	7 months ended 31 March 2000 £'000
Net cash outflow from operating activities (note 12)	(16,267)
Returns on investments and servicing of finance	
Interest received	525
Interest paid	(747)
Issue expenses on senior debt	(909)
Net cash outflow from returns on investment and servicing of finance	<u>(1,131)</u>
Net cash outflow before financing	(17,398)
Financing	
Issue of ordinary shares	842
Draw-downs on loans – senior debt	65,361
Draw-downs on loans – subordinated debt	1,466
	<u>67,669</u>
Increase in cash	<u>50,271</u>

Defence Training Services Limited

Notes to the accounts for the year ended 31 March 2000

1 Principal accounting policies

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards and the Companies Act 1985.

Basis of accounting

The accounts are prepared in accordance with the historical cost convention.

Finance receivable

The Company has adopted the provisions of FRS5 (application note F) and had regard to Treasury guidance notes in determining the appropriate treatment of the principal asset of the Company. After due consideration the Company has therefore accounted for its investment as a finance lease receivable asset under construction. During the construction phase of the project, all attributable expenditure including net finance costs, are included in the cost of the finance asset. On completion the amounts written off the finance asset will be calculated to write off the cost over the operational phase of the contract.

2 Turnover

The turnover to 31 March 2000 represents unitary charges since the commencement of operations.

3 Directors' remuneration

No emoluments were paid to the directors during the period.

4 Employee information

No one was directly employed by the Company during the period. Services were provided by employees of other group companies.

5 Audit fee

The audit fee for the period ended 31 March 2000 was borne by another Company within the group.

Defence Training Services Limited

6 Debtors: Amounts falling due within one year

	31 March 2000
	£'000
Trade debtors	179
Prepayments and accrued income	202
Other debtors	<u>1,510</u>
	<u>1,891</u>

7 Debtors: Amounts falling due after more than one year

	31 March 2000
	£'000
Finance receivable – asset under construction	<u>16,187</u>

The finance receivable asset includes net finance costs of £228,000

8 Creditors: amounts falling due within one year

	31 March 2000
	£'000
Trade creditors	3
Accruals and deferred income	231
Amounts due to group companies	<u>1,349</u>
	<u>1,583</u>

Amounts owed to group companies are included under amounts falling due within one year, as there are no specific terms as to their repayment.

Defence Training Services Limited

9 Creditors: Amounts falling due after more than one year

	31 March 2000
	£'000
Senior Debt	65,361
Unamortised Issue costs	(903)
	64,458
Subordinated debt	1,466
	<u>65,924</u>

Senior debt

The senior debt is repayable in monthly instalments commencing 1 July 2002. Interest is calculated monthly in arrears at fixed rates of 7.44845% on the utilised debt, 7.25044% on the unutilised debt, plus mandatory liquid asset cost of approximately 0.017% which varies with the Bank of England rates.

The loan is secured under a debenture deed. Under the terms of the debenture, the finance provider has security by way of a first legal mortgage over all estates or interests in any freeholder or leasehold properties and buildings and fixtures on those properties. The finance provided also has security over all other assets of the Company by way of fixed and floating charges.

Unsecured subordinated debt

The subordinated debt is repayable in quarterly instalments commencing 1 October 2002. Interest is calculated monthly in arrears at a fixed rate of 10.88064% plus mandatory liquid asset cost of approximately 0.017% which varies with the Bank of England rates.

Maturity of Debt

	31 March 2000
	£'000
In more than two years, but not more than five years	2,370
In more than five years	64,457
Unamortised issue costs	(903)
	<u>65,924</u>

10 Called up share capital

	31 March 2000
	£'000
<u>Authorised</u>	
490,000 'A' Ordinary shares of £1 each	490
510,000 'B' Ordinary shares of £1 each	510
1 special share of £1 each	-
	<u>1,000</u>
<u>Allotted, Called Up and Fully Paid</u>	
412,384 'A' Ordinary shares of £1 each	413
429,217 'B' Ordinary shares of £ each	429
1 Special Share of £1 each	-
	<u>842</u>

Refer to the director's report for details of changes in the share capital since the balance sheet date.

Defence Training Services Limited

11 Reconciliation of Movement on Shareholders Funds

	7 months ended 31 March 2000 £'000
Opening Shareholders' Funds	-
Shares issued in period	842
Retained profit for the period	-
	<u>842</u>

12 Cash flow statement

	7 months ended 31 March 2000 £'000
(i) Net cash flow from operating activities	
Operating result	-
Increase in debtors	(17,850)
Increase in creditors	1,583
Net cash flow from operating activities	<u>(16,727)</u>
(ii) Reconciliation of net cash flow to movement in net debt	
Increase in cash	50,271
Cash inflow from increase in loans	(65,924)
Net debt at 31 March 2000	<u>(15,653)</u>

	At 3 September 1999	Cash flow	At 31 March 2000
Analysis of changes in net debt			
Cash at bank and in hand	-	50,271	50,271
Debt due after one year	-	(65,924)	(65,924)
	<u>-</u>	<u>(15,653)</u>	<u>(15,653)</u>

13 Related party transactions

During the year, the Company purchased goods and services from Jarvis plc and subsidiary companies, to the value of £13,925,109 and at the balance sheet date the amount due to other group undertakings was £1,349,000. The Company paid fees and other costs to Halifax, to the value of £922,494 and received loans totalling £66,827,000, which were outstanding at the balance sheet date.

14 Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking and ultimate controlling party is Jarvis plc, a Company registered in England and Wales, whose accounts may be obtained from the Secretary, Jarvis plc, Frogmore Park, Watton-at-Stone, Hertford, SG14 3RU.