

**FocusEducation Limited**

**Directors' report and financial  
statements**

**Registered number 04119823**

**31 August 2002**





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## **Company information**

### **Directors**

Gershon Daniel Cohen  
Stephen Hockaday  
Andrew David Silverbeck  
Philip Robert Grant

### **Registered Office**

9<sup>th</sup> Floor  
St James's Buildings  
Oxford Street  
Manchester  
M1 6FQ

### **Registered Auditors**

KPMG LLP  
St James' Square  
Manchester  
M2 6DS

### **Solicitors**

Dickinson Dees  
St Ann's Wharf  
112 Quayside  
Newcastle upon Tyne  
NE99 1SB

### **Bankers**

Halifax Bank of Scotland  
Professionals Account Office  
91-95 Southwark Bridge Road  
London  
SE1 0AX

### **Company Secretary**

HLM Secretaries Limited  
9<sup>th</sup> Floor  
St James's Buildings  
Oxford Street  
Manchester  
M1 6FQ

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2002.

### Principal activities

The principal activities of the Group are to design, finance, construct and operate certain facilities and provide non educational services at a number of schools in the United Kingdom under concession agreements with relevant local authorities.

### Business review

This is the first period of trading for the Group and the results for the year are set out in the profit and loss account on page 5.

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The loss for the year retained in the company is £ Nil.

### Directors and directors' interests

The directors who held office during the year are as follows:

Masons Nominees	(resigned 18 September 2001)
Gershon Daniel Cohen	(appointed 18 September 2001)
Stephen Hockaday	(appointed 18 September 2001)
Andrew David Silverbeck	(appointed 18 September 2001)
Nicholas Jeremy Wakefield	(appointed 18 September 2001, resigned 14 February 2002)
Philip Robert Grant	(appointed 14 February 2002)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. The interests of the directors in other group companies are disclosed in the financial statements of those group companies.

### Corporate Governance

The Company is committed to high standards of corporate governance, as are appropriate for the longer term obligations to finance, construct and operate non-educational services for the new schools under the Private Finance Initiative programme.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
HLM Secretaries Ltd  
Secretary  
12 June 2003

9th Floor  
St James's Buildings  
Oxford Street  
Manchester  
M1 6FQ

## **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 the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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

St James' Square  
Manchester  
M2 6DS  
United Kingdom

## **Independent auditors report to the members of FocusEducation Limited**

We have audited the financial statements on pages 5 to 15.

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.

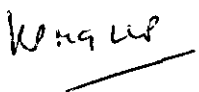
### **Basis of audit opinion**

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 group'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 affairs of the Company and the Group as at 31 August 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG LLP  
Chartered Accountants  
Registered Auditor

12 June 2003



**Consolidated profit and loss account**  
*for the year ended 31 August 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
<b>Turnover</b>		<b>15,904</b>	-
Net operating expenses	2	<b>(15,604)</b>	-
<b>Operating profit</b>	3	<b>300</b>	-
Interest payable and similar charges	6	<b>(333)</b>	-
Other interest receivable and similar income	7	<b>26</b>	-
<b>Loss on ordinary activities before taxation</b>		<b>(7)</b>	-
Tax on loss on ordinary activities	8	<b>(43)</b>	-
<b>Retained loss for the year</b>	14	<b>(50)</b>	-

The Group has no recognised gains or losses other than the retained profit for the year and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the result as disclosed in the Profit and Loss account and the result on an unmodified historical cost basis.

**Consolidated balance sheet**  
*at 31 August 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	<i>10</i>	1,654	-
Amounts falling due after more than one year	<i>10</i>	14,636	-
		16,290	-
Cash at bank and in hand		2,124	20
		<hr/>	<hr/>
		18,414	20
<b>Creditors: amounts falling due within one year</b>	<i>11</i>	(5,258)	-
		<hr/>	<hr/>
<b>Net current assets</b>		13,156	20
<b>Creditors: amounts falling due after more than one year</b>	<i>12</i>	(13,149)	-
		<hr/>	<hr/>
<b>Net assets</b>		7	20
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>13</i>	57	20
Profit and loss account	<i>14</i>	(50)	-
		<hr/>	<hr/>
<b>Shareholders' funds</b>		7	20
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 12 June 2003 and were signed on its behalf by:



**Gershon Cohen**  
*Director*

**Company balance sheet**  
*at 31 August 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
<b>Fixed asset</b>			
Investments	9	57	-
<b>Current assets</b>			
Cash at bank and in hand		-	20
<b>Net assets</b>		<u>57</u>	<u>20</u>
<b>Capital and reserves</b>			
Called up share capital	13	57	20
Profit and loss account	14	-	-
<b>Shareholders' funds</b>		<u>57</u>	<u>20</u>

These financial statements were approved by the board of directors on 12 June 2003 and were signed on its behalf by:



**Gershon Cohen**

*Director*

**Consolidated cash flow statement**  
*for the year ended 31 August 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
<b>Reconciliation of operating loss to net cash flow from operating activities</b>			
Operating profit		300	-
Increase in debtors		(16,290)	-
Increase in creditors		3,073	-
		<hr/>	<hr/>
Net cash outflow from operating activities		(12,917)	-
		<hr/>	<hr/>

**Cash flow statement**

Cash flow from operating activities		(12,917)	-
Returns on investments and servicing of finance	16	(302)	-
Share capital introduced		37	20
		<hr/>	<hr/>
(Decrease) / increase in cash in the year		(13,182)	20
		<hr/>	<hr/>

**Reconciliation of net cash flow to movement in net debt**

(Decrease) / increase in cash in the year		(13,182)	20
Non-cash movement		(5)	-
		<hr/>	<hr/>
Movement in net debt in the year		(13,187)	20
Net debt at the start of the year		20	-
		<hr/>	<hr/>
Net debt at the end of the year		(13,167)	20
		<hr/>	<hr/>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 August 2002*

	<b>Group</b> <b>2002</b> <b>£000</b>	<b>Group</b> <b>2001</b> <b>£000</b>	<b>Company</b> <b>2002</b> <b>£000</b>	<b>Company</b> <b>2001</b> <b>£000</b>
Loss for the financial year	(50)	-	-	-
Dividends	-	-	-	-
Share capital introduced	37	20	37	20
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	(13)	20	37	20
Opening shareholders' funds	20	-	20	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	7	20	57	20
	<hr/>	<hr/>	<hr/>	<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.

No Profit and Loss Account is presented FocusEducation Limited as permitted by Section 230(4) of the Companies Act 1985. Details of the individual profit and loss account for FocusEducation Limited for the financial period is shown in note 14 to these financial statements.

#### *Turnover*

Turnover on construction activities represents the value of work done and services rendered, excluding sales and related taxes. Turnover on operational services represents the value of work performed in the year under the concession agreement, together with additional services provided to the authority.

#### *Stocks and work in progress / amounts recoverable under contracts*

Costs incurred in the construction of the schools 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 appropriate County Council. 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 amounts recoverable under contracts 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 the services commencement date, the amounts outstanding under the contract are transferred from amounts recoverable under contracts into a finance debtor.

#### *Finance lease debtor*

Amounts receivable under the concession agreements relating to the school facilities transferred are included under debtors and represent the total amount outstanding under the agreements less unearned interest. Interest receivable is recognised over the period of the contract based on the interest rate implicit in the contracts.

#### *Capitalisation of interest*

Loan interest incurred during the construction of the schools capitalised into the finance debtor.

#### *Taxation*

The charge for taxation is based on the result 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, without 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.

#### *Cash and liquid resources*

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

**Notes (continued)**

**2 Net operating expenses**

	2002 £000	2001 £000
Materials, site and production costs	15,405	-
Other charges	199	-
	<u>15,604</u>	<u>-</u>

**3 Operating profit**

	2002 £000	2001 £000
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration		
- audit fees	20	-
- other services	46	-
	<u>66</u>	<u>-</u>

Other services (relating to taxation advice) of £46,500 paid to the auditors in the 12 months ended 31 August 2002 have been included within amounts recoverable on contracts.

**4 Remuneration of directors**

	2002 £000	2001 £000
Recharges in respect of directors services	-	-
	<u>-</u>	<u>-</u>

None of the directors received emoluments directly from the group.

**5 Staff numbers and costs**

No staff are directly employed by the group. Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractors service charges.

## Notes (continued)

### 6 Interest payable and similar charges

	2002 £000	2001 £000
Interest payable on bank loans	328	-
Amortisation of issue costs	5	-
	<u>333</u>	<u>-</u>

During the year, £328,000 of interest payable has been capitalised as part of the project asset.

### 7 Other interest receivable and similar income

	2002 £000	2001 £000
Bank interest receivable	26	-
	<u>26</u>	<u>-</u>

### 8 Taxation

#### Analysis of charge in period

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Current tax on income for the period	43	-
	<u>43</u>	<u>-</u>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(7)	-
	<u>(7)</u>	<u>-</u>
Current tax at 30%	(2)	-
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily bid costs)	45	-
	<u>45</u>	<u>-</u>
Total current tax charge (see above)	<u>43</u>	<u>-</u>

## Notes (continued)

### 9 Investments

Company	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning of the year	-
Additions	57
	<hr/>
At end of year	57
	<hr/>
<i>Net book value</i>	
At end of year	57
	<hr/>
At beginning of year	-
	<hr/>

Shares in the subsidiary undertaking relates to the following:

Name of company	Country of registration	Holding	Proportion held
FocusEducation (Lincolnshire) Holdings Limited	England	Ordinary shares	100%
FocusEducation (Newcastle) Holdings Limited	England	Ordinary shares	100%

The principal activities of the companies are to design, finance, construct, and operate certain new educational facilities under concession agreements with the local council authorities.

### 10 Debtors

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Amounts recoverable on contracts	14,636	-	-	-
Trade debtors	166	-	-	-
Other debtors	1,483	-	-	-
Prepayments and accrued income	5	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	16,290	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts recoverable on contracts include £14,636,000 (2001: £Nil) due after more than one year.



## Notes (continued)

### 11 Creditors: amounts falling due within one year

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Equity bridging loan ( <i>see note 12</i> )	2,142	-	-	-
Trade creditors	2,893	-	-	-
Corporation tax	43	-	-	-
Accruals and deferred income	180	-	-	-
	<u>5,258</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 12 Creditors: amounts falling due after more than one year

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Senior loan	9,467	-	-	-
Equity bridging loan	3,682	-	-	-
	<u>13,149</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Analysis of debt:

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Debt can be analysed as falling due:				
In one year or less, or on demand	2,142	-	-	-
Between one and two years	3,967	-	-	-
Between two and five years	4,453	-	-	-
In five years or more	5,992	-	-	-
	<u>16,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: issue costs	(1,263)	-	-	-
	<u>15,291</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group has a term loan facility of £18,730,000 due for expiry 28 February 2030 secured by a fixed and floating charge over the assets of the Group. Until 31 August 2003, the rate paid will be LIBOR plus a 1.1% margin. This margin will change to 0.75% for the following 5 years, 0.85% for 10 years and 0.95% thereafter. The Group has entered into a swap transaction resulting in interest being charged on this loan at a fixed rate of 5.52%.

The Group has a term loan facility of £ 50,042,021 due for expiry 28 February 2027 secured by a fixed and floating charge over the assets of the group. Until 31 August 2004, the rate paid will be LIBOR plus a 1.05% margin. This margin will change to 0.85% for the following 15 years and 0.95% thereafter. The Group has entered into a swap transaction resulting in interest being charged on this loan at a fixed rate of 5.74%.

The equity bridge loans, which are also secured expire on 31 August 2003 and 31 August 2004 and incur interest at LIBOR plus 0.5% margin.

## Notes (continued)

### 13 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
Equity: 70,000 ordinary shares of £1 each	70	20
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid</i>		
Equity: 57,000 ordinary shares of £1 each	57	20
	<u>          </u>	<u>          </u>

On 18 April 2002 the Company's authorised share capital was increased by £ 50,000 by the creation of additional ordinary shares of £1. On this date £ 37,000 of the shares were issued as fully paid in connection with the Company's purchase of its investment in FocusEducation (Newcastle) Holdings Limited.

### 14 Reserves

	Company Profit and Loss account £000	Group Profit and Loss account £000
At beginning of year	-	-
Retained loss for the year	-	(50)
	<u>          </u>	<u>          </u>
At end of year	-	(50)
	<u>          </u>	<u>          </u>

### 15 Commitments

At 31 August 2002 the Group had authorised and contracted capital commitments of £ 48,810,000.

### 16 Analysis of cash flows

	2002 £000	2001 £000
<b>Returns on investment and servicing of finance</b>		
Interest payable on borrowings	(328)	-
Other interest receivable	26	-
	<u>          </u>	<u>          </u>
	(302)	-
	<u>          </u>	<u>          </u>

## Notes (continued)

### 17 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash in hand, at bank and in hand	20	2,104	-	2,124
Senior loan	-	(9,462)	(5)	(9,467)
Equity bridge loan	-	(5,824)	-	(5,824)
<b>Net debt</b>	<b>20</b>	<b>(13,182)</b>	<b>(5)</b>	<b>(13,167)</b>

### 18 Post balance sheet events

Subsequent to the year end the Company has invested in two further companies which have been established to construct and subsequently operate educational establishments. The investments were €40,000 in FocusEducation (NMC) Limited on 5 February 2003 and £10,000 in FocusEducation (Lambeth) Limited on 25 March 2003.

### 19 Related party disclosures

Related parties	Relationship	Class of Transaction	2002 Expenditure £000	2002 Creditor £000
Bovis Lend Lease Limited	Subsidiary of a shareholder	Construction & facilities management services	12,351	2,817
Halifax Bank of Scotland	Holding company of shareholder	Banking facilities	1,274	-