

East Leake Schools Limited  
Directors' report and financial statements  
for the year ended 31 December 2003

Registered Number 4261326



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for the year ended 31 December 2003

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# **East Leake Schools Limited**

## **Directors' report for the year ended 31 December 2003**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

### **Principal activities and business review**

The company is engaged in a 25-year contract with Nottinghamshire County Council for the design, construction and facilities management of a 1,200 pupil secondary school, a 300 pupil primary school and community leisure facilities.

The profit generated in the year under review as set out in the profit and loss account on page 4 relates to the activities undertaken in respect of this project.

### **Results and dividends**

The company made a profit in the year of £50,000 (2002: loss of £194,000). No dividend is proposed.

### **Directors and their interests**

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

D Kyte  
J Graham (Appointed 1 May 2003)  
M Wayment  
S Kibblewhite

The directors have no interest in the share capital of the company according to the Register maintained by the company under Section 325 of the Companies Act 1985.

# East Leake Schools Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. The directors are required to prepare 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

## Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



M Wayment

Director

20<sup>th</sup> July 2004

# East Leake Schools Limited

## Independent auditors' report to the shareholders of East Leake Schools Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

### 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 1985 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 into 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 directors' 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 company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

20<sup>th</sup> July 2004

## East Leake Schools Limited

### Profit and loss account for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Turnover		209	-
Cost of sales		(167)	-
<b>Gross profit</b>		<b>42</b>	<b>-</b>
Administrative expenses		(351)	(277)
Other income		339	-
<b>Operating profit/(loss)</b>	1	<b>30</b>	<b>(277)</b>
Interest payable and similar charges	2	(611)	-
Interest receivable and similar income	3	652	-
<b>Profit/(loss) from ordinary activities before taxation</b>		<b>71</b>	<b>(277)</b>
Taxation (charge)/credit	4	(21)	83
<b>Profit/(loss) on ordinary activities after taxation</b>	11	<b>50</b>	<b>(194)</b>

The result relates solely to continuing activities in a single class of business conducted within the United Kingdom.

There were no recognised gains or losses for the year other than the profit for the year shown above.

The notes on pages 6 to 13 form part of these financial statements.

# East Leake Schools Limited

## Balance sheet as at 31 December 2003

	Notes	2003 £'000	2002 £'000
<b>Current assets</b>			
Stock	5	-	10,943
Debtors:			
- falling due within one year	6	246	481
- falling due after one year	6	15,614	83
Cash at bank and in hand		472	3,761
<b>Total current assets</b>		<b>16,332</b>	<b>15,268</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(859)</b>	<b>(3,924)</b>
<b>Net current assets</b>		<b>15,473</b>	<b>11,344</b>
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(15,607)</b>	<b>(11,528)</b>
<b>Net liabilities</b>		<b>(134)</b>	<b>(184)</b>
<b>Capital and reserves</b>			
Called up share capital	10	10	10
Profit and loss account	11	(144)	(194)
<b>Equity shareholders' funds</b>	12	<b>(134)</b>	<b>(184)</b>

The financial statement on pages 4 to 13 were approved by the board of directors on 20<sup>th</sup> July 2004 and signed on its behalf by:



M Wayment  
Director

# **East Leake Schools Limited**

## **Accounting policies**

A summary of the principal accounting policies of the company which have been applied consistently, is set out below.

### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Financial Reporting Standards. They include the results of the activities described in the Directors' Report, all of which are continuing.

### **Turnover and cost of sales**

Turnover represents amounts due from Nottinghamshire County Council in respect of the activities described in the Directors' Report. All turnover originates in the United Kingdom and is stated exclusive of value added tax.

Cost of sales represents amounts invoiced in respect of services by related parties.

### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

The deferred tax assets and liabilities are not discounted.

### **Finance receivable**

The accumulated costs incurred in respect of bid development, design, construction and finance costs during construction were transferred to finance receivable when the facilities became available and are being recovered over the contract period on an annuity basis.

### **Cash flow statement**

The company is a wholly owned subsidiary of East Leake Holdings Limited and the results of the company are included within the accounts of that company. Consequently, East Leake Schools Limited is exempt under FRS 1 (revised) from publishing a cash flow statement.

### **Loan issue costs**

Arrangement fees and certain costs directly relating to the issuing of the facilities have been offset against the related loans and are being amortised over the duration of each respective financial instrument as part of the finance cost, in accordance with FRS 4.



# East Leake Schools Limited

## Notes to the financial statements for the year ended 31 December 2003

### 1 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2003 £'000	2002 £'000
Auditors' remuneration	10	8

Other fees paid to auditors totalled £10,000 (2002: £12,000)

The directors received no remuneration from the company. The company had no employees throughout the year under review. Management and administrative staff were provided by secondees that are employed by certain related parties. The employment costs relating to the secondees are recharged to the company.

Other income of £339,000 received in the year relates to compensation received as a result of delays in the construction of the school.

### 2 Net interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on subordinated loan notes	195	63
Interest payable on term loan	1,030	388
	1,225	451
Interest receivable from bank during construction period	(48)	(46)
Less: Amounts transferred to work in progress (note 5)	(566)	(405)
	611	-

Interest payable and similar charges of £1,225,000 (2002:£451,000) relates to interest payable, with respect to the borrowings, totalling £1,210,000 (2002:£441,000), plus the amortisation of loan issue costs of £5,000 (2002:£10,000) in accordance with FRS 4.

### 3 Net interest receivable and similar income

	2003 £'000	2002 £'000
Interest receivable from bank after construction period	13	-
Finance income	639	-
	652	-

# East Leake Schools Limited

## 4 Taxation

	2003 £'000	2002 £'000
Current tax charge for the year	-	-
Deferred tax (charge)/credit (note 9)	(21)	83
<b>Total tax (charge)/credit for the year</b>	<b>(21)</b>	<b>83</b>

### Factors affecting the current tax charge for the year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

Profit/(loss) before tax	71	(277)
<b>UK corporation tax at 30% (2002: 30%)</b>	<b>21</b>	<b>(83)</b>
<b>Effects of:</b>		
Capital allowances in excess of depreciation	(21)	83
<b>Total current tax</b>	<b>-</b>	<b>-</b>

## 5 Stock

	2003 £'000	2002 £'000
<b>Work in progress</b>		
Balance at 1 January	10,943	-
Additions	6,792	11,038
Interest on financing (note 2)	566	405
	<b>18,301</b>	<b>11,443</b>
Less: payments on account	(2,418)	(500)
Less: transfer to finance receivable	(15,883)	-
<b>Balance at 31 December</b>	<b>-</b>	<b>10,943</b>

# East Leake Schools Limited

## 6 Debtors

	2003 £'000	2002 £'000
<b>Amounts falling due within one year:</b>		
Prepayments	21	-
Finance receivable	225	-
Tax and social security	-	481
	<b>246</b>	<b>481</b>
<b>Amounts falling due after one year:</b>		
Finance receivable	15,552	-
Deferred tax asset (note 9)	62	83
	<b>15,614</b>	<b>83</b>
<b>Finance receivable</b>		
Transfer from work in progress	15,883	-
Finance income recognised	745	-
Finance income reimbursed	(639)	-
	<b>15,777</b>	<b>-</b>
Receivable within one year	225	
Receivable in more than one year	15,552	

## East Leake Schools Limited

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

	2003 £'000	2002 £'000
Subordinated loan notes	14	-
Term loan (Note 8)	231	2,742
Trade creditors	171	1,070
Tax and social security	30	-
Accruals	162	112
Construction retentions	251	-
	<b>859</b>	<b>3,924</b>

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

	2003 £'000	2002 £'000
Subordinated loan notes	1,718	1,289
Term loan	13,889	9,932
Construction retentions	-	307
	<b>15,607</b>	<b>11,528</b>

	2003			2002		
	Subordinated loan notes £'000	Term Loan £'000	Total £'000	Subordinated loan notes £'000	Term Loan £'000	Total £'000
Repayable within one year	14	231	245	-	2,742	2,742
Repayable between two and five years	82	2,328	2,410	74	1,944	2,018
Repayable after five years	1,653	11,916	13,569	1,233	8,347	9,580
<b>Total loans outstanding</b>	<b>1,749</b>	<b>14,475</b>	<b>16,224</b>	<b>1,307</b>	<b>13,033</b>	<b>14,340</b>
Loan issue costs	(17)	(355)	(372)	(18)	(359)	(377)
<b>Total</b>	<b>1,732</b>	<b>14,120</b>	<b>15,852</b>	<b>1,289</b>	<b>12,674</b>	<b>13,963</b>

#### Subordinated loan notes

On 28 March 2002, the shareholders of the company's immediate parent undertaking subscribed for £1,773,000 of loan notes. At 31 December 2003, £1,604,000 (2002: £1,244,000) had been drawn down by the company. The loan notes are to mature in full in 2027, however, the company may redeem all or part of the loan notes at anytime provided certain conditions are met and relevant consents are given. The loan notes are unsecured and bear interest at 12%. Interest was rolled up on the loan notes until 30 June 2003; thereafter the interest is paid 6 monthly.

## East Leake Schools Limited

### Term loan

The tenure of the Term Loan from NIB Capital Bank NV is 23.5 years and it is repayable in 47 semi-annual instalments commencing on 30 June 2003. Interest charged on amounts drawn under the facility is based on the floating LIBOR rate. The Term Loan facility has been syndicated to a consortium of banks. All amounts drawn under the Term Loan facility are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

As at 31 December 2003, £16,314,000 (2002: £12,655,000) has been drawn under the Term Loan facility. Interest was rolled up on the Term Loan until 30 June 2003. The total facility is for a maximum of £17,386,000.

## 9 Deferred tax

The following amounts of deferred taxation have been (provided)/recognised:

	2003 £'000	2002 £'000
Accelerated capital allowances	(320)	(178)
Losses	382	261
Deferred tax asset (note 6)	62	83

	2003 £'000	2002 £'000
Balance at 1 January	83	-
(Charge)/credit for the year	(21)	83
Balance at 31 December	62	83

## 10 Share capital

	2003 £'000	2002 £'000
<b>Authorised</b>		
10,000 ordinary shares of £1 each	10	10
<b>Allotted, called up and fully paid</b>		
10,000 ordinary shares of £1 each	10	10

## East Leake Schools Limited

### 11 Reserves

	Profit and loss account £'000
At 1 January 2003	(194)
Profit in year	50
<b>At 31 December 2003</b>	<b>(144)</b>

### 12 Movements in equity shareholders' funds

	£'000
At 1 January 2003	(184)
Profit in year	50
<b>At 31 December 2003</b>	<b>(134)</b>

### 13 Capital commitments

The company is committed to payments of some £1.5 million for capital expenditure over the remainder of the contract term.

# East Leake Schools Limited

## 14 Related party disclosures

The following companies, together with undertakings within their individual groups of companies, are considered to be related parties to the company, as defined in FRS 8.

NIB Capital Bank N.V.

Alfred McAlpine Construction Limited

Alfred McAlpine Business Services Limited

### Related party transactions in this year

	2003		2002	
	Construction contract	Provision of staff and support services	Construction contract	Provision of staff, support services and bid development
	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Alfred McAlpine Capital Projects Limited	6,411	-	9,849	-
NIB Capital Bank N.V.	-	51	-	394
Alfred McAlpine Project Investments Limited	-	30	-	654
Alfred McAlpine Business Services Limited (formerly Stiell Facilities Limited)	-	167	-	40

### Amounts outstanding to Related Parties at 31 December 2003

	2003 £'000	2002 £'000
Alfred McAlpine Capital Projects Limited	258	1,341
NIB Capital Bank N.V.	34	-
Alfred McAlpine Project Investments Limited	80	30
Alfred McAlpine Business Services Limited	52	-

All transactions with related parties were carried out on arms length terms.

## 15 Parent undertaking and ultimate controlling party

The company is a wholly owned subsidiary of East Leake School Holdings Limited, a company which is incorporated in England and Wales. In the opinion of the directors, the ultimate controlling party comprises Alfred McAlpine plc and NIB Capital Bank N.V. acting together.