

ELLENBROOK HOLDINGS LIMITED

Directors' report and financial statements
For the period ended 31 December 2002

Registered number 4318529



ELLENBROOK HOLDINGS LIMITED

Directors' report

The directors present their report and the financial statements for the period ended 31 December 2002.

Principal activities

The company was incorporated on 7 November 2001. The principal activity is that of a holding company with a single subsidiary, Ellenbrook Developments plc.

Ellenbrook Developments plc was established to undertake the design, construction, financing, service, maintenance and development of new student residences, sports and leisure facilities and associated works for the University of Hertfordshire Higher Education Corporation and its subsidiary Polyfield Property Limited for the period up to 8 September 2033. This agreement together with a loan facilities agreement, construction contract, a facilities management contract and other related contracts was signed on 6 February 2002. Construction of the residences commenced in February 2002 and is due for completion in August/September 2003.

Results and dividends

The profit and loss account is set out on page 4 and relates to the operating activities during the period. The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who served during the period and subsequently were as follows:

Director

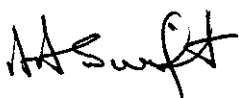
CM Exford	(appointed 7 November 2001)
H Gilbey	(appointed 28 February 2003)
MJ Smout	(appointed 7 November 2001)
JM Thornton	(appointed 7 November 2001)
G Farley	(appointed 7 November 2001, resigned 11 December 2001)
FR Herzberg	(appointed 11 December 2001, resigned 28 February 2003)

No director had any interest in the shares of the company or other group undertaking during the period.

Financial instruments

A description of the company's financial instruments is set out on pages 11 to 13.

This report was approved by the board on 30 May 2003 and signed on its behalf by:



A A Swift
Secretary

Birch Street
Wolverhampton
West Midlands
WV1 4HY

ELLENBROOK HOLDINGS LIMITED

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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;
- prepare the financial statements 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 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.

ELLENBROOK HOLDINGS LIMITED

Independent auditors' report to the members of Ellenbrook Holdings Limited

We have audited the financial statements on pages 4 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 2, 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, the Listing Rules of the Financial Services Authority 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. 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 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 affairs of the company and the group as at 31 December 2002 and of the result of the group for the period from 7 November 2001 (the date of incorporation) to 31 December 2002 and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditors
30 May 2003

2 Cornwall Street
Birmingham
B3 2DL

ELLENBROOK HOLDINGS LIMITED

Consolidated profit and loss account *for the fourteen months ended 31 December 2002*

	<i>Notes</i>	2002 £000
Turnover	2	42,302
Other operating charges		(41,069)
Operating profit	3	1,233
Interest payable and similar charges	4	(2,387)
Interest receivable and similar charges	4	1,154
Net interest payable	4	(1,233)
Profit on ordinary activities before taxation		-
Taxation on profit on ordinary activities	6	-
Profit on ordinary activities after taxation and retained profit for the financial period		-

A statement of movement in shareholders' funds is shown in note 16 to the financial statements.

The results reported above derive from continuing operations in a single class of business within the United Kingdom.

There is no material difference between the result as disclosed in the profit and loss account above and its historical cost equivalent.

Statement of total recognised gains and losses

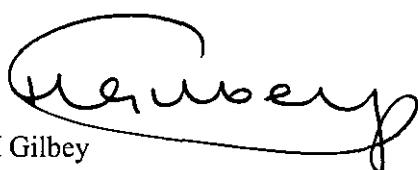
There were no recognised gains and losses other than the results for the period reported above.

ELLENBROOK HOLDINGS LIMITED

Consolidated balance sheet at 31 December 2002

	Notes	2002 £000
Current assets		
Debtors: Amounts falling due within one year	7	2,367
Debtors: Amounts falling due after more than one year	8	<u>42,302</u>
		44,669
Cash and liquid resources	10	<u>17,065</u>
		61,734
Creditors: Amounts falling due within one year	11	<u>(4,574)</u>
Net current assets and total assets less current liabilities		57,160
Creditors: Amounts falling due after more than one year	12	<u>(57,110)</u>
Net assets		<u><u>50</u></u>
Capital and reserves		
Called up share capital	15	50
Equity shareholders' funds		<u><u>50</u></u>

These financial statements were approved by the board of directors on 30 May 2003 and were signed on its behalf by:

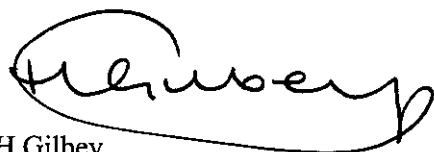

H Gilbey
Director

ELLENBROOK HOLDINGS LIMITED

Company balance sheet at 31 December 2002

	<i>Notes</i>	2002 £000
Fixed assets		
Investment	9	50
Net assets		<u>50</u>
Capital and reserves		
Called up share capital	15	50
Equity shareholders' funds		<u>50</u>

These financial statements were approved by the board of directors on 30 May 2003 and were signed on its behalf by:



H Gilbey

Director

ELLENBROOK HOLDINGS LIMITED

Consolidated cash flow statement *for the fourteen months ended 31 December 2002*

	2002
	£000 £000
Net cash outflow from operating activities	(38,862)
Returns on investments and servicing of finance	
Interest received	1,154
Interest paid	(1,834)
Debt issue costs	<u>(3,408)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(4,088)</u>
Net cash outflow before use of liquid resources and financing	(42,950)
Management of liquid resources	
Investment in short term bank deposits	(13,481)
Financing	
Issue of ordinary share capital	50
Issue of index-linked bond	59,965
Increase in cash	<u>3,584</u>
Reconciliation of operating profit to net cash outflow from operating activities	
Operating profit	1,233
Increase in debtors	(44,669)
Increase in creditors	<u>4,574</u>
Net cash outflow from operating activities	<u>(38,862)</u>

ELLENBROOK HOLDINGS LIMITED

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 Group's financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards using the historical cost convention.

Basis of consolidation

The group accounts consolidate the accounts of Ellenbrook Holdings Limited and its subsidiary undertaking for the period from 7 November 2001 to 31 December 2002 using the acquisition method. All inter-company balances, transactions and profits are eliminated on consolidation. No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985.

Contract receivable

In accordance with Financial Reporting Standard (FRS) 5 Application Note F the costs incurred in building the student residences, sports and leisure facilities have been treated as a contract receivable. This treatment arises from applying the guidance within the Application Note which indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to the customer.

Increases in the contract receivable represent the costs arising on the construction of the facilities including initial tender costs and borrowing costs.

Deferred taxation

Deferred taxation has been accounted for under Financial Reporting Standard 19.

Deferred taxation is provided, without discounting, in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred by the balance sheet date that results in an obligation to pay more or less tax in the future. Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2 Turnover

Turnover represents the value of work done and excludes value added tax.

The company's sole business is that described in the Director's Report and all turnover is derived in the United Kingdom.

ELLENBROOK HOLDINGS LIMITED

Notes (continued)

3 Operating profit

The following costs were incurred during the period and have been capitalised as part of the contract receivable.

	2002 Group £000
Auditors remuneration - audit work	8
- non-audit work	<u>5</u>

Audit fees for the parent company amounted to £nil.

4 Net interest payable

	2002 Group £000
Interest payable	
Index linked bond	(2,281)
Amortisation of bond issue costs	<u>(106)</u>
	(2,387)
Interest receivable and similar income	
Bank interest receivable	<u>1,154</u>
	<u>(1,233)</u>

Interest payable on the index-linked bond consists of bond interest and the bond indexation (see note 12).

5 Staff costs

The Group had no employees during the period other than the directors. None of the directors received any remuneration.

6 Taxation on profit on ordinary activities

	2002 Group £000
Charge for the period - current tax	<u>-</u>

The tax assessed for the period is in line with the standard rate of corporation tax in the UK (30%).

ELLENBROOK HOLDINGS LIMITED

Notes (continued)

7	Debtors: Amounts falling due within one year	2002 Group £000
	Prepayments	1,192
	Other debtors	1,175
		<u>2,367</u>
8	Debtors: Amounts falling due after more than one year	2002 Group £000
	Contract receivable	<u>42,302</u>
	Total debtors	<u>44,669</u>
9	Fixed asset investments - Company	2002 £000
	Shares in subsidiary undertaking	
	Cost and net book value	
	Investment in subsidiary undertaking addition and as at end of the period	<u>50</u>
	Shares in subsidiary undertaking represents a holding of 100% of the ordinary share capital of Ellenbrook Developments plc. This company is incorporated in Great Britain.	
10	Cash and liquid resources	2002 Group £000
	Cash at bank	3,584
	Short term deposits	13,481
		<u>17,065</u>
11	Creditors: Amounts falling due within one year	2002 Group £000
	Trade creditors	4,527
	Other creditors	47
		<u>4,574</u>

ELLENBROOK HOLDINGS LIMITED

Notes (continued)

12	Creditors: Amounts falling due after more than one year	2002 Group £000
	3.3894% Index-Linked Guaranteed Secured Bond	60,412
	Less: unamortised bond issue costs	(3,302)
		<u>57,110</u>

The carrying value of the bond includes indexation to date.

The bond, ignoring further indexation, is repayable as follows:

Between one and two years	-
Between two and five years	5,339
After five years	55,073
	<u>60,412</u>

The index-linked guaranteed secured bond was created on 1 February 2002 and £59,965,000 was issued on 6 February 2002 at 100% of nominal value. The bond bears interest at 3.3894% per annum payable in six monthly intervals which, together with the principal repayment, is subject to indexation in accordance with the Bond Trust Deed.

The bond is repayable in instalments commencing on 31 July 2004 and ending in July 2032. The bond is listed on the London Stock Exchange.

The bond is secured by first fixed and floating charges over the Group's assets.

The shareholders are committed to subscribe £6,464,000 of Loan Notes due 2033 in the parent company during 2003. The parent company in turn has a corresponding commitment to subscribe a similar amount in its subsidiary undertaking.

13 Financial instruments

Funding and liquidity

The Group's principal financial instruments comprise short-term bank deposits and an index-linked bond.

The main purpose of these financial instruments is to fund the development of the student residencies, sports and leisure facilities. The terms of the financial instruments also ensures that the profile of the debt service costs is tailored to match expected revenues arising from the Concession Agreement. The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities.

Cash surplus to immediate needs is invested with The Royal Bank of Scotland Limited Financial Markets under a contract that provides access at monthly intervals. The interest rate receivable is directly related to the corresponding monthly LIBOR. Short-term flexibility is obtained by maintaining current account balances with the Group's bankers.

ELLENBROOK HOLDINGS LIMITED

Notes (continued)

13 Financial instruments (continued)

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

In order to manage the Group's exposure to interest rate fluctuations Ellenbrook Developments Plc has issued an index-linked bond to achieve a correlation between inflationary increases in revenue and finance charges. The Group has entered into a Swap Deposit Agreement and Swap Agreement with The Royal Bank of Scotland plc in order to hedge its exposure to RPI in respect of coupon payments to be made under the bond during the construction period and to hedge the floating rate amount of interest to be earned on the unspent amount of the bond proceeds.

Liquidity risk

Repayment of the index-linked bond is not required until the project is operational and revenue is receivable under the terms of the Concession Agreement.

At 31 December 2002, 91.16% of the bond was due for repayment in more than five years.

Interest rate risk profile of financial assets and financial liabilities

The Group has taken advantage of the exemption in Financial Reporting Standard 13 and has not included other financial instruments relating to short term debtors and creditors.

The interest rate profile of the sterling assets of the Group at 31 December 2002 was as follows:

	2002 £000
Cash at bank	3,584
Bank deposits	<u>13,481</u>
	<u>17,065</u>

Bank deposits relate to the cash surplus to immediate needs invested with The Royal Bank of Scotland Financial Markets under a contract that provides access at monthly intervals. Interest is payable monthly at a rate linked to LIBOR. These monetary assets are secured by first fixed and floating charges to the security trustee for the index-linked bond. Amounts may be withdrawn monthly from the bank deposits into an escrow account to pay building and finance costs.

The Group has entered into swap arrangements with The Royal Bank of Scotland plc in order to fix the rate of interest receivable on this programme at 4.10%. The notional amounts of this swap follows the balance on the programme assuming the projected utilisation of cash over the period of construction of the facilities is adhered to.

The programme is due to be completed no later than 8 September 2003.

ELLENBROOK HOLDINGS LIMITED

Notes (continued)

13 Financial instruments (continued)

Financial liabilities

The interest rate profile of the sterling financial liabilities of the Group at 31 December 2002 was as follows:

	Interest rate profile	Weighted average interest rate %	Weighted average period for which rate is fixed	Amount £000
Index-linked guaranteed secured bond	Fixed subject to indexation	3.3894 subject to indexation	30 years	60,412

The Group has entered into a Swap Agreement with The Royal Bank of Scotland plc in order to hedge its exposure to RPI in respect of coupon payments to be made under the bond during the construction period. Coupon payments during the period 6 February 2002 to 31 July 2003 have been fixed at £2,900,000.

The Group had no un-drawn committed facilities as at 31 December 2002.

Fair value of financial assets and financial liabilities

The comparison by category of the book values and fair values of the Group's financial assets and financial liabilities as at 31 December 2002 is set out below:

	Book value £000	Fair value £000
Primary financial instruments held or issued to finance the Group's operations		
Financial assets - cash and liquid resources	17,065	17,065
Financial liabilities – index linked guaranteed secured bond	(60,412)	(62,579)

Derivative financial instruments held to manage the interest rate profile

Interest rate swap	nil	8
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Market values have been used to determine the fair value of the index-linked bond. All other fair values have been estimated by discounting cash flows at current market rates.

14 Provision for liabilities and charges

No provision has been made in the financial statements for deferred taxation and there is no potential liability as at 31 December 2002.

ELLENBROOK HOLDINGS LIMITED

Notes (continued)

15	Share capital	2002
		£000
	Authorised	
	100,000 ordinary shares of £1 each	<u>100</u>
	Allotted, called up and fully paid	
	50,000 ordinary shares of £1 each	<u>50</u>

On incorporation 1 ordinary share of £1 was issued at par. On 24 January 2002 a further 49,999 ordinary shares of £1 each were issued at par.

16	Reconciliation of movement in equity shareholders' funds	2002
		Group
		£000
	At beginning of period	-
	Share capital issued during the period	50
	Profit for the period	-
	At end of period	<u>50</u>

17 Capital commitments

Under the terms of a contract with Carillion Construction Limited dated 6 February 2002, the Group was committed at 31 December 2002 to payments totalling £18,030,000 in respect of design and construction services to be provided in the period to September 2003. Payments will be made as design and construction work progresses. Under the terms of a contract with Carillion Services Limited dated 6 February 2002, the Group was committed at 31 December 2002 to payments totalling £94,000 for services to be provided in the period to September 2003.

18 Consolidated cash flow statement

<i>Analysis of net debt</i>	Cashflow	Other	At 31
	£000	movements	December
		£000	2002
			£000
Cash at bank and in hand	3,584	-	3,584
Short term cash deposits	13,481	-	13,481
3.3894% index-linked guaranteed secured bond	(59,965)	2,855	(57,110)
	<u>(42,900)</u>	<u>2,855</u>	<u>(40,045)</u>
Reconciliation of net cashflow to movement in net debt			£000
Increase in cash in period			3,584
Cash outflow from increase in liquid resources			13,481
Cash inflow from issue of bond			(59,965)
Change in net debt resulting from cash flows			<u>(42,900)</u>
Other movements:			
Provision for bond indexation			(447)
Bond issue costs			3,408
Amortisation of bond issue costs			(106)
			<u>2,855</u>
Movement in net debt in the period			<u>(40,045)</u>

ELLENBROOK HOLDINGS LIMITED

Notes *(continued)*

19 Related party disclosures

In addition to the contracted commitments set out in note 17 above, administrative, construction and technical services were provided to the company during the period by companies related to Carillion Private Finance Limited at a cost of £40,323,000 and by companies related to Royal Bank Project Investments Limited at a cost of £6,000.

As at 31 December 2002, £4,549,000 was owed to Carillion Private Finance Limited and companies related to Carillion Private Finance Limited and £nil was owed to companies related to Royal Bank Project Investments Limited, in relation to the services described above.

20 Parent undertakings

At 31 December 2002 the share capital of Ellenbrook Holdings Limited was held 50% by Carillion Private Finance Limited and 50% by Royal Bank Project Investments Limited. Both of these companies are incorporated in Great Britain.