

# **EDUCATION SUPPORT (NEWHAM) LIMITED**

**DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2004**

Registered Number: 4420816



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DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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**DIRECTORS AND ADVISORS**

**Directors**

A J Ballsdon (appointed 5 May 2004)  
T A Bicknell  
A C Bloch  
J Cann (appointed 17 September 2004)  
L Esau  
M Hidayatullah (resigned 6 October 2004)  
P D Jones (resigned 16 September 2004)  
J M Linney (appointed 6 October 2004)  
N Rajani (appointed 4 November 2003, resigned 5 May 2004)

**Company secretary and registered office**

P G Shell  
Allington House  
150 Victoria Street  
London SW1E 5LB

**Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

**Solicitors**

Denton Wilde Sapte  
Five Chancery Lane  
Cliffords Inn  
London  
EC4A 1BU

**Principal bankers**

Dresdner Bank AG  
London Branch  
PO Box 18075  
Riverbank House  
2 Swan Lane  
London  
EC4 3UX

## **DIRECTORS' REPORT**

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2004.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is the design, build and operation of a secondary school for a Local Authority under a Private Finance Initiative agreement.

## **FUTURE DEVELOPMENTS**

The construction of the school is due to be completed by the end of February 2005 at which point the school will become operational. The Company will operate the school until the end of the concession on 31 August 2029.

## **REVIEW OF THE YEAR**

The Company continued the construction of the school throughout the year. The target dates for completion of Phase 1 in September 2004 and Phase 2 in January 2005 were not met. The completion of both phases is currently under discussion between Education Support (Newham) Limited, the D&C contractor and the London Borough of Newham. Completion of both phases will occur in due course but at this present time there is no fixed date for completion. The late completion is not expected to have any detrimental impact on the financial position of the Company as any loss or expense arising will be recovered from the D&C Contractor.

## **RESULTS AND DIVIDENDS**

The Company made neither profit nor loss during the current year (2003 - £nil).

The Directors do not recommend the payment of a dividend (2003 - £nil).

## **DIRECTORS**

The Directors who served throughout the year, except as noted, are shown on page 1.

## **DIRECTORS' INTERESTS**

No Director held any interests in the shares of the Company, or had any personal interest in any significant or material contract with the Company, during the year ended 31 December 2004.

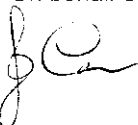
The interests of J Cann, A J Ballsdon and P D Jones in the shares of John Laing plc, the Company's ultimate parent undertaking, are disclosed in the accounts of Equion Limited. The interests of A C Bloch, J M Linney, M Hidayatullah and N Rajani in shares of John Laing plc, the Company's ultimate parent undertaking, are disclosed in the accounts of Education Support (Newham) Holdings Limited.

Other than as stated above, no Director had any interest in the shares of any other group Company requiring disclosure under the Companies Act 1985.

## **AUDITORS**

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



J Cann  
Director

29th April 2005

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the Company 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; and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDUCATION SUPPORT (NEWHAM) LIMITED**

We have audited the financial statements of Education Support (Newham) Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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**

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

*29 April* 2005

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Turnover	1, 2	18,031	7,844
Cost of sales		(18,031)	(7,844)
<b>Operating result</b>	3	-	-
Net interest receivable/(payable)	6	-	-
<b>Result on ordinary activities before taxation</b>		-	-
Tax on result on ordinary activities	7	-	-
<b>Retained result for the year</b>		-	-

A reconciliation of movements in equity shareholders' funds is given in note 13.

All items in the profit and loss account relate to continuing operations.

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents.

All gains and losses are recognised in the profit and loss account in both the current year and preceding period, and therefore no separate statement of total recognised gains and losses has been presented.

**EDUCATION SUPPORT (NEWHAM) LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	2004 £'000	2003 £'000
<b>Current assets</b>			
Debtors		<b>26,499</b>	8,195
- due within one year	8	<b>1,220</b>	390
- due after more than one year	8	<b>25,279</b>	7,805
Cash at bank and in hand		<b>14</b>	2
		<b>26,513</b>	8,197
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	<b>(3,695)</b>	(1,311)
<b>Net current assets</b>		<b>22,818</b>	6,886
<b>Total assets less current liabilities</b>		<b>22,818</b>	6,886
Creditors: amounts falling due after more than one year	9	<b>(22,817)</b>	(6,885)
<b>Net assets</b>		<b>1</b>	1
<b>Capital and reserves</b>			
Called up share capital	12	<b>1</b>	1
<b>Equity shareholders' funds</b>	13	<b>1</b>	1

The financial statements were approved by the Board of Directors on *29th April* 2005 and were signed on its behalf by:



J Cann  
Director



**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £'000	2003 £'000
<b>Net cash outflow from operating activities</b>	16	(17,313)	(6,669)
<b>Returns on investments and servicing of finance</b>			
Interest received		5	1
Interest and other financing costs paid		(1,041)	(63)
Issue costs of new bank loan		-	(254)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,036)	(316)
<b>Net cash outflow before use of liquid resources and financing</b>		(18,349)	(6,985)
<b>Financing</b>			
Issue of ordinary share capital		-	1
Increase in bank borrowings		18,361	6,986
<b>Net cash inflow from financing</b>		18,361	6,987
<b>Increase in cash in the year</b>	17	12	2
<b>Reconciliation to net debt</b>			
Net debt at 1 January		(6,731)	-
Increase in cash in the year		12	2
Movement in borrowings		(18,361)	(6,732)
Other non-cash changes		(13)	(1)
<b>Net debt at 31 December</b>	17	(25,093)	(6,731)

Notes to the financial statements for the year ended 31 December 2004

**1 ACCOUNTING POLICIES**

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently, is shown below.

b) Turnover

Turnover is recognised so as to spread the total profit expected to be earned on the PFI contract equally over the life of the project.

Turnover is net of VAT and is entirely derived in the United Kingdom.

c) Finance debtor

The Company is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with the London Borough of Newham. The underlying asset is therefore not a fixed asset of the Company under FRS 5 Application Note F and SSAP 21.

d) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs are included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

e) Construction period interest

Interest costs on borrowings used to fund the construction of the school are added to amounts recoverable on contracts during the construction period. This treatment ceases on commissioning.

f) Operating costs

Operating costs are added to amounts recoverable on contracts during the construction period. Following commissioning, regular operating and maintenance costs and Education Support (Newham) Limited central costs will be expensed to the profit and loss account as incurred.

g) Interest payable

Interest costs on borrowings are added to amounts recoverable on contracts during the construction phase of the contract, and then written off to the profit and loss account over the period of concession as incurred.

h) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS 19 'Deferred Tax', 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. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

# EDUCATION SUPPORT (NEWHAM) LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

## 2 TURNOVER

	2004 £'000	2003 £'000
Turnover in the year is analysed as follows:		
Construction services income	18,031	7,844

## 3 OPERATING RESULT

	2004 £'000	2003 £'000
Operating result is stated after charging:		
Auditors' remuneration		
- audit services	11	10

Included within the £11,479 auditors' remuneration for audit services is an amount of £2,087 that relates to auditors' remuneration for audit services to Education Support (Newham) Holdings Limited which is borne by Education Support (Newham) Limited.

## 4 DIRECTORS' REMUNERATION

The directors of the company are remunerated for their services to the group as a whole and it is not practicable to allocate their remuneration between group companies. The remuneration of A J Ballsdon, J Cann and P D Jones is disclosed in the financial statements of Equion Limited. The remuneration of A C Bloch, J M Linney, M Hidayatullah and N Rajani is disclosed in the financial statements of Education Support (Newham) Holdings Limited.

## 5 STAFF NUMBERS

The Company had no employees during the year (2003 - nil).

## 6 NET INTEREST RECEIVABLE/(PAYABLE)

	2004 £'000	2003 £'000
<b>Interest receivable and similar income</b>		
Interest receivable on bank deposits	5	1
<b>Interest payable and similar charges</b>		
Interest payable on bank loans and overdrafts	(959)	(65)
Amortised debt issue costs	(13)	(1)
Commitment fee on undrawn loan facility	(56)	(25)
	(1,028)	(91)
Net interest added to Amounts Recoverable on Contracts	1,023	90
Net interest	-	-

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 TAX ON RESULT ON ORDINARY ACTIVITIES

The company has no tax charge for the year (2003 - £Nil).

8 DEBTORS

	2004	2003
	£'000	£'000
<u>Due within one year:</u>		
Amounts recoverable on contracts	596	39
Other taxation and social security	339	285
Prepayments and accrued income	285	66
	<u>1,220</u>	<u>390</u>
<u>Due after more than one year:</u>		
Amounts recoverable on contracts	25,279	7,805
	<u>25,279</u>	<u>7,805</u>

The amounts recoverable on contracts/finance debtor includes cumulative net interest costs of £1,099,000 (2003 - £90,000).

9 CREDITORS

	2004	2003
	£'000	£'000
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts (note 10)	2,611	-
Less: unamortised debt issue costs	(19)	-
Amounts owed to fellow subsidiary undertakings	-	17
Accruals and deferred income	517	1,294
Other creditors	586	-
	<u>3,695</u>	<u>1,311</u>
<b>Amounts falling due after more than one year</b>		
Bank loans and overdrafts (note 10)	22,736	6,986
Less: unamortised debt issue costs	(221)	(253)
Other creditors	302	152
	<u>22,817</u>	<u>6,885</u>
<b>Analysis of debt:</b>		
Debt can be analysed as falling due:		
In one year or less, on demand	2,611	-
Between one and two years	813	2,130
Between two and five years	2,621	560
In five years or more	19,302	4,296
	<u>25,347</u>	<u>6,986</u>
Less: unamortised debt issue costs	(240)	(253)
	<u>25,107</u>	<u>6,733</u>

Notes to the financial statements for the year ended 31 December 2004 (continued)

10 LOANS

The Company has the facilities shown below provided by Dresdner Bank in order to finance the construction of the school. The loans, other than the Equity Bridge loan, are repayable in instalments based on an agreed percentage amount of the total facilities per annum over a certain number of years as shown below. The Equity Bridge loan is repayable in full on 15 February 2005.

Interest on the facilities is charged at a certain margin, as shown below, over and above the interbank Rate plus a Mandatory Costs Rate. The Company has entered into fixed interest rate swaps to mitigate its interest exposure. The fixed interest rate on the facility during the construction phase is 6.18%.

The loans are secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company.

Facility type	Total amount of facility £'000	Amount drawn- down at 31 December 2004 £'000	Repayment period (Years)	Margin during construction	Margin during operation
Senior Term	23,886	23,410	24.2	1.05%	0.90% to 1.00%
Equity Bridge	1,937	1,937	see above	0.25%	N/A
Change of Law	222	-	24.2	1.05%	0.90% to 1.00%
Junior	1,631	-	24.2	3.50%	3.25%
		<u>25,347</u>			

11 CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

At 31 December 2004, the Company is committed to remaining design and construction costs of £350,000 payable to Wates Construction Limited under the Design and Construction Contract relating to the Newham Woodside School project between Education Support (Newham) Limited and Wates Construction Limited.

At 31 December 2004, the Company is committed to a remaining amount of £10,560,000 payable to Equion Facilities Management Limited, a fellow group undertaking, under the Facilities Provision Contract dated 24 September 2003 relating to the Schools PFI Project in the London Borough of Newham between Education Support (Newham) Limited and Equion Facilities Management Limited.

12 CALLED UP SHARE CAPITAL

	2004 No.	2003 No.
<b>Authorised:</b>		
Ordinary shares at £1 each	<u>50,000</u>	<u>50,000</u>
	£	£
<b>Allotted, called up and partly paid:</b>		
50,000 ordinary shares at 2p each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and not paid:</b>		
1 ordinary share at £1	<u>-</u>	<u>-</u>
	<u>1,000</u>	<u>1,000</u>

Notes to the financial statements for the year ended 31 December 2004 (continued)

13 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Opening shareholders' funds	1	-
New shares issued	-	1
Closing shareholders' funds	<u>1</u>	<u>1</u>

14 TRANSACTIONS WITH RELATED PARTIES

	2004 £'000	2003 £'000
The company had the following related party transactions during the year:		
Fellow group undertakings:		
Equion Facilities Management Limited		
- Payments made for mobilisation costs capitalised	334	45
- Payments for contract fixtures, fittings and equipment	665	-
- Payments for contract ICT	368	-
- Payments for contract consumables	230	-
- Balance payable at 31 December	38	-
Laing Investments Management Services Limited		
- Payments made for Setup and Development fees	-	680
- Payments made for Company Concession overheads	100	42
- Payments for insurance costs recharged	145	114
- Balance payable at 31 December	-	17

15 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is Education Support (Newham) Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The Company's ultimate parent and controlling party, and the largest and smallest group in which its results are consolidated, is John Laing plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated accounts of John Laing plc are available from its registered offices at Allington House, 150 Victoria Street, London, SW1E 5LB.

The John Laing plc website at [www.laing.com](http://www.laing.com) can also be accessed for Parent Company information, including annual reports, Stock Exchange announcements, press releases and other background information.

Notes to the financial statements for the year ended 31 December 2004 (continued)

16 RECONCILIATION OF OPERATING RESULT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£'000	£'000
Operating result	-	-
Increase in debtors	(17,282)	(8,105)
(Decrease)/increase in creditors	(31)	1,436
Net cash outflow from operating activities	<u>(17,313)</u>	<u>(6,669)</u>

17 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January 2004 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2004 £'000
Cash in hand and at bank	2	12	-	14
Debt due after one year	(6,733)	(18,361)	(13)	(25,107)
	<u>(6,731)</u>	<u>(18,349)</u>	<u>(13)</u>	<u>(25,093)</u>

Movement in borrowings:

	£'000
Debt due after one year:	
New secured bank loan	(18,361)
Increase in borrowings	<u>(18,361)</u>
Cash inflow	<u>(18,361)</u>