

**ENTERPRISE EDUCATION HOLDINGS CONWY LIMITED  
(FORMERLY BROOMCO (3005) LIMITED)**

Registered Number 4528790

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD 6 SEPTEMBER 2002 TO 31 DECEMBER 2003**



## **REPORT OF THE DIRECTORS FOR THE PERIOD FROM 6 SEPTEMBER 2002 TO 31 DECEMBER 2003**

### **Principal activities**

The Company's principal activity is the operation of a 27 year Private Finance Initiative contract for Conwy County Borough Council.

No change in the Company's activities is anticipated.

### **Business review**

The Company was incorporated on 6 September 2002 as Broomco (3005) Limited. On 28 October 2002, the Company changed its name to Enterprise Education (Holdings) Conwy Limited.

The results for the period are set out in the profit and loss account on page 4. This being the first period of operation of the Company, no comparative results have been presented.

### **Results and dividend**

The Company's results for the year under review are as detailed in the profit and loss account shown in these accounts. The Directors do not recommend the payment of a dividend in respect of the period ended 31 December 2003.

### **Directors**

The Directors who served during the period were as follows:

| Name                                   | Appointed         | Resigned         |
|--|-------------------|------------------|
| P Aitchison (Alternate to J F Coombes) | 20 December 2002  | 21 March 2003    |
| DLA Nominees Limited                   | 06 September 2002 | 20 December 2002 |
| DLA Secretarial Services Limited       | 06 September 2002 | 20 December 2002 |
| J F Coombes                            | 20 December 2002  |                  |
| J M Entract                            | 20 December 2002  |                  |
| J Graham                               | 20 December 2002  |                  |
| S F Kibblewhite                        | 20 December 2002  |                  |
| M R Woodhams                           | 20 December 2002  |                  |

### **Directors and directors' interests**

None of the directors at 31 December 2003 had any other interests in the shares of the Company or in the securities of any other company in the group of which it is a member, required to be disclosed under the Companies Act 1985.

### **Political and charitable contributions**

The company made no political contributions during the period.

## **REPORT OF THE DIRECTORS (continued)**

### **Supplier payment policy**

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

The amount due to the Company's trade creditors at 31 December 2003 represented 2 days' average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571.

### **Statement of directors' responsibilities in relation to financial statements**

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report on page 3, is made with a view to distinguishing for the shareholder the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 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 for the financial year. The directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

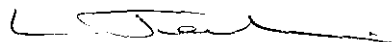
The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

### **Auditors**

KPMG Audit Plc was appointed as auditor during the period to fill a casual vacancy. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



L J Jenkinson  
Secretary

8 Canada Square  
London  
E14 5HQ

23 June 2004

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ENTERPRISE EDUCATION HOLDINGS CONWY 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 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 group 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 2003 and of the loss of the group for the 16 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB

25 Jul 2004

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the period 6 September 2002 to 31 December 2003**

|  | Note | 2003<br>£000 |
|--|------|--------------|
| <b>Turnover</b>                                      | 2    | 27,926       |
| Cost of sales  |      | (27,186)     |
| <b>Operating profit</b>                              |      | <u>740</u>   |
| Other interest receivable and similar income         | 6    | 6            |
| Interest payable and similar charges                 | 7    | (746)        |
| <b>Profit on ordinary activities before taxation</b> | 3    | -            |
| Tax on profit on ordinary activities                 | 8    | (51)         |
| <b>Loss for the financial period</b>                 |      | <u>(51)</u>  |

The results above are all derived from continuing operations. There are no recognised gains and losses for the period other than those recorded in the profit and loss account.

**CONSOLIDATED BALANCE SHEET**  
**at 31 December 2003**

|  | Note | 2003<br>£000  |
|--|------|---------------|
| <b>Current assets</b>  |      |               |
| Debtors (including £27,926,000 due after more than one year)   | 10   | 28,597        |
| Cash at bank and in hand                                       |      | 1,678         |
|  |      | <u>30,275</u> |
| <b>Creditors: amounts falling due within one year</b>          | 11   | (9,946)       |
| <b>Net current assets</b>                                      |      | <u>20,329</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 12   | (20,370)      |
| <b>Net liabilities</b>   |      | <u>(41)</u>   |
| <b>Capital and reserves</b>                                    |      |               |
| Called up share capital  | 13   | 10            |
| Profit and loss account  | 14   | (51)          |
| <b>Equity shareholders' deficit</b>                            |      | <u>(41)</u>   |

These financial statements on pages 4 to 15 were approved by the Board of Directors on 23 June 2004 and were signed on its behalf by:



J M Entract  
Director

**BALANCE SHEET**  
**at 31 December 2003**

|                                   | Note | 2003<br>£000 |
|-----------------------------------|------|--------------|
| <b>Fixed assets</b>               |      |              |
| Investments                       | 9    | 10           |
|                                   |      | <hr/>        |
| <b>Net assets</b>                 |      | 10           |
|                                   |      | <hr/>        |
| <b>Capital and reserves</b>       |      |              |
| Called up share capital           | 13   | 10           |
| Profit and loss account           | 14   | -            |
|                                   |      | <hr/>        |
| <b>Equity shareholders' funds</b> |      | 10           |
|                                   |      | <hr/>        |

These financial statements on pages 4 to 15 were approved by the board of directors on 23 June 2004 and were signed on its behalf by:



J M Entract  
Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**for the period 6 September 2002 to 31 December 2003**

|   | Note | 2003<br>£000 |
|---|------|--------------|
| <b>Cash outflow from operating activities</b>   | 16   | (27,669)     |
| Returns on investments and servicing of finance | 17   | (65)         |
|   |      | <hr/>        |
| Cash outflow before financing                   |      | (27,734)     |
| <b>Financing</b>                                | 17   | 29,412       |
|   |      | <hr/>        |
| <b>Increase in cash in the period</b>           |      | <b>1,678</b> |
|   |      | <hr/>        |

**RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**for the period 6 September 2002 to 31 December 2003**

|   | <b>Group<br/>2003<br/>£000</b> | <b>Company<br/>2003<br/>£000</b> |
|---|--------------------------------|----------------------------------|
| <b>Balance at 6 September 2002</b>                | -                              | -                                |
| Loss for the financial period                     | (51)                           | -                                |
| New share capital subscribed (net of issue costs) | 10                             | 10                               |
| <b>Balance at 31 December 2003</b>                | <b>(41)</b>                    | <b>10</b>                        |

## NOTES TO 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.

#### (a) *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. Notwithstanding the deficit on net assets, the financial statements have been prepared on a going concern basis on the grounds of the availability of committed funding being available to pay all liabilities as they fall due.

#### (b) *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### (c) *Finance debtor*

The group operates of a Private Finance Initiative ("PFI") contract. The underlying asset is not deemed to be an asset of the company under Financial Reporting Standard 5 Application Note F.

During the construction phase of the project, all attributable expenditure is included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs are transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with the long term contract accounting policy below.

#### (e) *Interest*

Interest costs are capitalised during the construction phase of the contract, and will be amortised over the period of the concession.

#### (f) *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### (g) *Taxation*

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.

#### (h) *Turnover*

Turnover is recognised in accordance with the finance debtor and long term contracts accounting policies above and excludes VAT.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(i) **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.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

2. **Analysis of turnover**

2003  
£000

*By activity*

|                     |        |
|---------------------|--------|
| Construction income | 27,926 |
|---------------------|--------|

All turnover and profit on ordinary activities before taxation originates in the United Kingdom.

3. **Profit on ordinary activities before taxation**

2003  
£000

*Profit on ordinary activities before taxation is stated  
after charging*

**Auditors' remuneration:**

|               |    |
|---------------|----|
| Group audit   | 10 |
| Company audit |    |

In addition to the amounts disclosed above, bid costs included a sum of £236,500 paid to KPMG in respect of Financial Advisory services.

4. **Remuneration of directors**

Directors emoluments for the period amounted to £nil.

5. **Employees**

The company had no employees, other than the directors during the period.

6. **Other interest receivable and similar income**

2003  
£000

|                          |   |
|--------------------------|---|
| Bank interest receivable | 6 |
|--------------------------|---|

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. Interest payable and similar charges

|                                  | 2003<br>£000 |
|----------------------------------|--------------|
| On all other loans               | 730          |
| Amortisation of debt issue costs | 16           |
|                                  | <u>746</u>   |

### 8. Taxation

|                                      | 2003<br>£000 |
|--------------------------------------|--------------|
| <i>UK corporation tax</i>            |              |
| Current tax on income for the period | 51           |
| Total current tax                    | 51           |
| Deferred tax                         | -            |
| Tax on profit on ordinary activities | <u>51</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%) as a result of expenses which are not deductible for tax purposes.

### 9. Fixed asset investments

|                                | Shares in<br>group<br>undertakings<br>2003<br>£000 |
|--------------------------------|--|
| <b>Company</b>                 |  |
| <i>Cost</i>                    |  |
| At beginning of period         | -  |
| Additions                      | 10   |
| At end of period               | <u>10</u>  |
| <i>Provisions</i>              |  |
| At beginning and end of period | -  |
| <i>Net book value</i>          |  |
| At 31 December 2003            | <u>10</u>  |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

The undertakings in which the company's interest at the year end is more than 20% are as follows:

|                                    | Country of<br>incorporation | Principal<br>activity | Class and<br>percentage of<br>shares held |
|------------------------------------|-----------------------------|-----------------------|---|
| Enterprise Education Conwy Limited | United Kingdom              | PFI operator          | £1 shares<br>100%                         |

### 10. Debtors

|                                  | Group<br>2003<br>£000 |
|----------------------------------|-----------------------|
| Trade debtors                    | 105                   |
| Amounts recoverable on contracts | 27,926                |
| Prepayments and accrued income   | 134                   |
| Other debtors                    | 432                   |
|                                  | 28,597                |

Total group debtors include amounts recoverable on contracts of £27,926,000 due after more than one year.

Included within amounts recoverable on contracts is £740,000 in respect of capitalised net finance costs.

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

|                               | Group<br>2003<br>£000 |
|-------------------------------|-----------------------|
| Bank term loan facility       | 5,131                 |
| Less unamortised issue costs  | (16)                  |
| Equity bridging loan facility | 3,916                 |
| Trade creditors               | 190                   |
| Corporation tax               | 51                    |
| Accruals and deferred income  | 674                   |
|                               | 9,946                 |

The bank term loan facility of £41,267,314 is redeemable by instalments each on 31 March and 30 September commencing on 30 September 2004 with the final repayment due on 31 January 2028. An equity bridging loan facility of £4,004,733 is repayable on 31 July 2004, committed funds are in place to fund the repayment. The loans are secured by a debenture fixed and floating charge over the assets of the company. The maximum amount of these facilities is as shown in this footnote.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

|                               | Group<br>2003<br>£000 |
|-------------------------------|-----------------------|
| Bank term loan facility       |                       |
| Payable between 1 and 2 years | 338                   |
| Payable between 2 and 5 years | 3,051                 |
| Payable after 5 years         | 17,369                |
| Less unamortised issue costs  | (388)                 |
|                               | 20,370                |

The bank term loan facility of £41,267,314 is redeemable by instalments each on 31 March and 30 September commencing on 30 September 2004 with the final repayment due on 31 January 2028. The loan is secured by a debenture fixed and floating charge over the assets of the company. The maximum amount of this facility is as shown in this footnote.

### 13. Called up share capital

|  | 2003<br>£000 |
|--|--------------|
| <i>Authorised:</i>                         |              |
| Equity: Ordinary shares of £1 each         | 50           |
| <i>Allotted, called up and fully paid:</i> |              |
| Equity: Ordinary shares of £1 each         | 10           |

### 14. Profit and loss account

|                                | 2003<br>£000 |
|--------------------------------|--------------|
| <b>Group</b>                   |              |
| At beginning of period         | -            |
| Retained loss for the period   | (51)         |
|                                | (51)         |
| At end of period               | (51)         |
|                                | 2003<br>£000 |
| <b>Company</b>                 |              |
| At beginning of period         | -            |
| Retained profit for the period | -            |
|                                | -            |
| At end of period               | -            |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

|            | Group<br>2003<br>£000 |
|------------|-----------------------|
| Contracted | 18,763                |

### 16. Reconciliation of operating profit to operating cash flows

|   | 2003<br>£000    |
|---|-----------------|
| Operating profit                                  | 740             |
| Increase in debtors                               | (29,273)        |
| Increase in creditors                             | 864             |
| <b>Net cash outflow from operating activities</b> | <b>(27,669)</b> |

### 17. Analysis of cash flows

|   | 2003<br>£000  |
|---|---------------|
| <b>Returns on investment and servicing of finance</b> |               |
| Interest received                                     | 6             |
| Interest paid   | (71)          |
|   | <b>(65)</b>   |
| <b>Financing</b>                                      |               |
| Issue of ordinary share capital                       | 10            |
| Debt due within one year:                             |               |
| Equity bridging loan                                  | 3,916         |
| Bank term loan  | 5,115         |
| Debt due after more than one year:                    |               |
| New secured loan repayable in 2028                    | 20,370        |
|   | <b>29,412</b> |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Analysis of net debt

|                                   | At beginning<br>of period<br>£000 | Cash Flow<br>£000 | At end of<br>period<br>£000 |
|-----------------------------------|-----------------------------------|-------------------|-----------------------------|
| Cash in hand, at bank             | -                                 | 1,678             | 1,678                       |
|                                   | -                                 | 1,678             | 1,678                       |
| Debt due within one year          | -                                 | (9,031)           | (9,031)                     |
| Debt due after more than one year | -                                 | (20,370)          | (20,370)                    |
| <b>Total</b>                      | -                                 | <b>(27,723)</b>   | <b>(27,723)</b>             |

### 19. Related party disclosures

The company is controlled by HSBC Infrastructure Fund Management Limited acting as general partner of HSBC Infrastructure Fund LP1 and LP2, which has a 80% interest in the company.

During the period, the group has incurred costs charged by its shareholders as follows:

|   | 2003<br>£000  |
|---|---------------|
| Development expenditure                       |               |
| - HSBC Infrastructure Fund Management Limited | 486           |
| - Alfred McAlpine Capital Projects Limited    | 616           |
| - Sodexo Investment Services Limited          | 604           |
| Construction costs                            |               |
| - HSBC Infrastructure Fund Management Limited | -             |
| - Alfred McAlpine Project Investments Limited | 24,660        |
| - Sodexo Investment Services Limited          | -             |
|   | <b>26,366</b> |

### 20. Ultimate parent undertaking and parent undertaking of larger group

The company's parent undertaking is HSBC Infrastructure Fund Management Limited, acting as the general partner for and behalf of HSBC Infrastructure Fund LP1 and LP2.