Company Registration No 4645156

# MINERVA EDUCATION AND TRAINING LIMITED

## Report and Financial Statements

## 31 March 2010

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MINERVA EDUCATION AND TRAINING LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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# MINERVA EDUCATION AND TRAINING LIMITED

## REPORT AND FINANCIAL STATEMENTS 2010

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

P Cooper
V Keyworth
C Butler
J Palmer
D Sutherland
G Quaife
S Mallion

### SECRETARY

L Smerdon

### REGISTERED OFFICE

Interserve House
Ruscombe Park
Twyford
Reading
Berkshire RG10 9JU

### AUDITORS

Deloitte LLP
Chartered Accountants
London

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is owned by its ultimate controlling parties Interserve Plc (45%), Infrastructure Investments LP (45%) and TQ Group Ltd (10%) and operates in the United Kingdom

The company's principal activity is undertaking a Private Finance Initiative (PFI) concession contract with the Ministry of Defence to design, build, finance and operate a sixth form college at Loughborough The college has been in the operational phase throughout the current and preceding year

The directors do not anticipate a change in this activity for the foreseeable future

There have been no significant events since the balance sheet date

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract For this reason the company's directors believe that key performance indicators are not necessary or appropriate for an understanding of the performance or position of the business

The PFI contract and related subcontracts are fixed for the life of the contract and this enables the company to have reasonable certainty over its income and expenditure for this period In addition the company has a Credit Agreement with its lenders which fixes the level of borrowing and repayments due until the loan is fully repaid in 2031

The directors have had prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions This forecast which is updated regularly predicts that the company will be profitable and will have sufficient cash resources to meet its obligations as they fall due

Therefore the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on the going concern basis

### PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal activity as detailed above is low in risk as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts Its main exposure is to financial risks as detailed in the following section

### FINANCIAL RISK MANAGEMENT

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance

The board has policies for managing each of these risks and they are summarised below

**Interest rate risk**
The company hedged its interest rate risk at the inception of the project by swapping its variable rate debt into fixed rate by the use of an interest rate swap

**Inflation risk**
The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation

**Liquidity risk**
The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations Due to the nature of the project, cash flows are reasonably predictable and so this is not a major risk area for the company

## DIRECTORS' REPORT (CONTINUED)

**Credit risk**

The company receives the bulk of its revenue from a government department and therefore is not exposed to significant credit risk

Cash investments and interest rate swap arrangement are with institutions of a suitable credit quality

**ENVIRONMENT**

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies via its sub-contractors to reduce any damage that might be caused by the company's activities

**EMPLOYEES**

The company has no direct employees

**RESULTS**

The results of the company are as set out in the profit and loss account on page 6 The directors do not recommend the payment of a dividend (2009 nil)

**DIRECTORS**

The directors who served during the year and who remain directors at the date of this report are set out below

P Cooper
V Keyworth
C Butler
J Palmer
D Sutherland
G Quaife
S Mallion

**AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditors in the absence of an Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

D Sutherland
Director
3 September 2010

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The dırectors are responsıble for preparıng the annual report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgements and accountıng estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the company's transactıons wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

# Independent auditors' report to the members of
# MINERVA EDUCATION AND TRAINING LIMITED

We have audited the financial statements of Minerva Education and Training Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 more fully explained in the Directors' Responsibilities Statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors

**Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of 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 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on matters prescribed in the Companies Act 2006**

- In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## Independent auditors' report to the members of MINERVA EDUCATION AND TRAINING LIMITED (CONTINUED)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Steph Griggs

Stephen Griggs (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
14 September 2010

## PROFIT AND LOSS ACCOUNT
## Year ended 31 March 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **TURNOVER** | 2 | 9,286 | 9,061 |
| Cost of sales | | (7,075) | (6,566) |
| **GROSS PROFIT** | | 2,211 | 2,495 |
| Administrative expenses | | (302) | (327) |
| **OPERATING PROFIT** | 3 | 1,909 | 2,168 |
| Net finance income | 4 | 32 | 36 |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 1,941 | 2,204 |
| Tax charge on profit on ordinary activities | 5 | (1,285) | (1,360) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR** | 12 | 656 | 844 |

All activities derive from continuing operations

There are no recognised gains or losses for the year or the prior year other than items shown in the profit and loss account Accordingly, no separate statement of total recognised gains or losses has been presented

## BALANCE SHEET
## 31 March 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Debtors – due within one year | 6 | 2,729 | 1,526 |
| Debtors – due after one year | 6 | 39,962 | 40,387 |
| Cash at bank and in hand | | 2,408 | 2,783 |
| | | 45,099 | 44,696 |
| **CREDITORS:** amounts falling due within one year | 7 | (3,619) | (3,166) |
| **NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES** | | 41,480 | 41,530 |
| **CREDITORS:** amounts falling due after more than one year | 8 | (36,643) | (38,625) |
| Provisions for liabilities | 9 | (4,310) | (3,034) |
| **NET ASSETS/ (LIABILITIES)** | | 527 | (129) |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 11 | 100 | 100 |
| Profit and loss account | 12 | 427 | (229) |
| **SHAREHOLDERS' FUND/ (DEFICIT)** | 13 | 527 | (129) |

The financial statements of Minerva Education and Training Limited (registered number 4645156) were approved by the Board of Directors on 3 September 2010

Signed on behalf of the Board of Directors

D Sutherland
Director

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 March 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards The particular accounting policies adopted by the directors are described below They have been applied consistently throughout the current and preceding financial year, except as noted below

**Going concern**

The financial statements are prepared on the going concern basis As disclosed on page 2 the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future

**Accounting convention**

The financial statements are prepared under the historical cost convention

**Accounting for PFI contracts (stock)**

During the period of construction, costs incurred as a direct consequence of financing, designing and constructing the schools, including finance costs, are shown as work in progress On completion of the construction, credit is taken for the deemed sale, which is recorded within turnover The construction expenditure and associated costs are reallocated to cost of sales Amounts receivable are classified as a financial asset receivable (PFI contract)

Revenues received from the customer are apportioned between

- capital repayments,
- finance income, and
- operating revenue

**Derivative financial instruments**

The company holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

**Cash flow statement**

The company has taken advantage of the Financial Reporting Standard No 1 (revised) exemption for 90% subsidiaries not to prepare a cash flow statement

**Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 March 2010

### 2. TURNOVER

The company's turnover is derived from its primary activities wholly in the United Kingdom and comprises the total invoice value, excluding VAT, of services rendered and is recognised as the applicable portions of the amounts receivable relating to the finance costs and calculated on a consistent basis

### 3. OPERATING PROFIT

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| This is stated after charging | | |
| Auditors' remuneration - audit services | 10 | 10 |
| - tax services | - | - |

The company had no employees during the year (2009 nil) Service fees are payable to the company's ultimate shareholders for the directors' services to the company during the year

### 4 NET FINANCE CHARGES

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Interest receivable | | |
| Bank interest | 38 | 133 |
| Financial asset interest | 2,854 | 2,879 |
| **Net interest receivable** | 2,892 | 3,012 |
| Interest payable | | |
| Swaps debt received | (1,337) | 440 |
| Senior debt | (798) | (2,689) |
| Loan stock | (674) | (673) |
| Amortisation of issue costs | (51) | (54) |
| Net interest payable | (2,860) | (2,976) |
| **Interest receivable** | 32 | 36 |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 March 2010

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| United Kingdom corporation tax at 28 % (2009 28%) | (9) | (38) |
| Current tax charge for the year (see below) | (9) | (38) |
| Deferred tax | | |
| Prior year adjustment | (41) | 52 |
| Timing differences, origination and reversal | (1,235) | (1,374) |
| Total tax charge for the year | (1,285) | (1,360) |

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Factors affecting the tax charge in the year·** | | |
| Profit on ordinary activities before tax | 1,941 | 2,204 |
| Tax charge on profit on ordinary activities before tax at standard rate of 28 % (2009 28%) | (543) | (617) |
| Contract income posted directly to the balance sheet | (108) | (97) |
| Capital allowances in excess of depreciation and other timing differences | 338 | 420 |
| Losses utilised /(not utilised) | 304 | 256 |
| Current tax charge for the year | (9) | (38) |

### 6. DEBTORS

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Due within one year | | |
| Financial asset receivable (PFI contract) | 425 | 384 |
| Trade debtors | 1,238 | 70 |
| Prepayments and other debtors | 1,066 | 1,055 |
| Other tax and social security | - | 17 |
| | 2,729 | 1,526 |
| Due after one year | | |
| Financial asset receivable (PFI contract) | 39,962 | 40,387 |
| Total debtors | 42,691 | 41,913 |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 March 2010

### 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Trade creditors | 21 | 406 |
| Accruals and deferred income | 1,522 | 743 |
| Senior secured loan (net of unamortised issue costs) (see note 8) | 1,982 | 1,979 |
| Other tax and social security | 62 | - |
| Corporation tax | 32 | 38 |
| | 3,619 | 3,166 |

### 8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Senior secured loan | | |
| Repayable between two and five years | 8,157 | 7,899 |
| Repayable after five years | 24,333 | 26,621 |
| Subordinated loan | 4,644 | 4,644 |
| | 37,134 | 39,164 |
| Less unamortised issue costs | (491) | (539) |
| | 36,643 | 38,625 |

The senior secured loan represents amounts borrowed under a facility agreement with Bank of Ireland The loan bears interest at a margin over LIBOR and is repayable in instalments between 2007 and 2031 The loan is secured by fixed and floating charges over the property, assets and rights of the company, and has certain covenants attached

In order to hedge against interest variations on the loan, the company has entered into an interest rate swap agreement with a bank whereby at monthly intervals sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount

The subordinated loan stock represents amounts borrowed under loan note agreements with the parent undertaking The loan notes bear interest at a rate of 14 5% per annum

### 9. PROVISIONS FOR LIABILITIES

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Deferred Tax (note 10) | 4,310 | 3,034 |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 March 2010

### 10 DEFERRED TAX

| Deferred tax liability/(asset) | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Liability at 1 April | 3,034 | 1,712 |
| Prior year adjustment | 41 | (52) |
| Current year | 1,235 | 1,374 |
| Liability at 31 March | 4,310 | 3,034 |
| Deferred tax consists of the following | | |
| Losses | (1,785) | (2,098) |
| Depreciation in excess of capital allowances | (1,414) | (1,750) |
| Capitalised interest | 879 | 887 |
| Deferred receipts under contract | 6,630 | 5,995 |
| Deferred tax liability | 4,310 | 3,034 |

### 11. SHARE CAPITAL

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Authorised, called up, allotted and fully paid | | |
| 100,000 ordinary shares of £1 each | 100 | 100 |

### 12 RECONCILIATION OF PROFIT AND LOSS ACCOUNT

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Opening profit and loss account | (229) | (1,073) |
| Profit for the year | 656 | 844 |
| Closing profit and loss account | 427 | (229) |

### 13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Opening shareholders' deficit | (129) | (973) |
| Profit for the year attributable to shareholders | 656 | 844 |
| Closing shareholders' surplus/ (deficit) | 527 | (129) |

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 March 2010

### 14. CONTROLLING PARTIES

The immediate controlling party is Minerva Education and Training (Holdings) Limited which is the smallest and largest entity to consolidate these financial statements Copies of the financial statements of Minerva Education and Training (Holdings) Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ

In the directors' opinion there is no single ultimate controlling party The ultimate parent companies are Interserve Plc, Infrastructure Investments General Partner Limited acting as the general partner for and on behalf of Infrastructure Investments LP and TQ Group Limited

HSBC Infrastructure Fund Management Limited sold its investment in Minerva Education and Training (Holdings) Limited to Infrastructure Investments General Partner Limited on 30 March 2007

### 15. RELATED PARTY TRANSACTIONS

The following disclosures are required by FRS 8 "Related Party Disclosures"

| Parties | Services | Amounts paid during the year ended 31 March 2010 £'000 | Amounts payable at 31 March 2010 £'000 | Amounts paid during the year ended 31 March 2009 £'000 | Amounts payable at 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Interserve Plc and its subsidiary undertakings | Construction and management services | 2,923 | 45 | 3,004 | 25 |
| HSBC Infrastructure Fund Management Limited | Services | 24 | - | 23 | - |
| TQ Group Limited | Services | 4,853 | 390 | 5,382 | 356 |

Amounts payable at 31 March 2010 are included within trade creditors and accruals and deferred income Directors' emoluments are set out in note 3

### 16. FINANCIAL INSTRUMENTS – INTEREST RATE SWAP

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Fair value of interest rate swap at period end (Adverse) | (3,375) | (4,103) |

On 2 May 2003 the company entered into a twenty eight year fixed interest rate swap arrangement to hedge its exposure to the effect of interest rate fluctuations

The swap was effected on a notional amount of £47,432,447 payable in semi-annual amounts between 31 March 2007 and 30 August 2031