Edinburgh Schools Partnership Limited

Directors' Report and Accounts for the year ended 31 December 2001
Registered Number SC206930

Directors' Report and Financial Statements

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Directors' report

The Directors present their report and audited accounts for the year ended 31 December 2001. The company was incorporated on 8 May 2000 as Macrocom (602) Limited and changed its name to Edinburgh Schools Partnership Limited on 9 August 2000. The company was dormant to 31 December 2000.

Principle activity

The Company was formed to design, construct and refurbish, and to provide lifecycle maintenance and facilities management services to schools within the Edinburgh area over a 32-year period. The partnership with the City of Edinburgh Council has been procured under the government's Public Private Partnership initiative.

Review of business and future developments

The business consists of 8 primary schools, 5 secondary schools, 4 special schools and 1 community centre. Three of the secondary schools have extensive refurbishment combined with a proportion of new build where existing facilities are either inadequate or can not be refurbished to a sufficiently high standard to meet the requirements of the curriculum. All eight of the primary schools are new build and in some instances combine two schools within one building. Three of the "special" schools also combine two schools, one of which will be situated within an existing building the interior of which will be completely remodelled. The other "special" school is a secure and open unit. The objective on all schools, whether refurbished or new build, is to ensure that pupils and teachers are afforded the best possible learning/teaching environment for the future.

Edinburgh Schools Partnership Limited is a wholly owned subsidiary of ESP (Holdings) Limited. The shareholders in ESP (Holdings) Limited are Amey Ventures Limited, Miller Construction (UK) Limited, Quayle Munro PFI Fund Limited Partnership and Uberior Infrastructure Investments Limited.

Results and dividends.

The company's loss for the financial year is £11,617,944 (2000 nil). The directors do not recommend the payment of a dividend

Directors and their interests

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

DI Sutherland (Appointed 26th June 2001)
JJ McCormack
RS Mackie (Appointed 14th November 2001)
AG Bremner (Appointed 14th November 2001)
PR Grant (Appointed 14th November 2001)
AD Darling (Appointed 14th November 2001)
AL Nelson (Appointed 26th June 2001, Resigned 14th November 2001)
CGA McLeod (Appointed 26th June 2001, Resigned 14th November 2001)
CM Mogg (Appointed 26th June 2001, Resigned 14th November 2001)
AM Turk (Appointed 26th June 2001, Resigned 14th November 2001)

None of the directors had any interest in the company or the group.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Small company exemptions.

This report has been prepared in accordance with the special provision of Part VII of the Companies Act 1985, applicable to small companies.

Auditors.

During the financial year, the directors appointed PricewaterhouseCoopers as auditors to the company. PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

Director

Independent auditors report to the members of Edinburgh Schools Partnership Limited

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

The directors` responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditor
Edinburgh
31/7/2002

Profit and Loss Account
for the year ended 31 December 2001

	Note	**12 months to 31 December 2001 £**	8 months to 31 December 2000 £
Administrative expenses		**(11,563,905)**	-
Operating loss	*2*	**(11,563,905)**	-
Interest receivable		**15,879**	-
Interest payable	*4*	**(69,918)**	-
Loss on ordinary activities before tax		**(11,617,944)**	-
Tax on profit on ordinary activities		**-**	-
Retained loss for the financial year / period		**(11,617,944)**	-

There are no recognised gains or losses other than the loss for the period of £11,617,944.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The notes on pages 6 to 11 form part of these financial statements.

Balance sheet
at 31 December 2001

	Note	2001 £	2000 £
Tangible fixed assets	*5*	**12,702,383**	-
Current assets			
Debtors	*6*	**4,234,444**	2
Cash at bank and in hand		**4,063,624**	-
		8,298,068	2
Creditors: amounts falling due within one year	*7*	**(6,490,205)**	-
Net current assets		**1,807,863**	2
Total assets less current liabilities		**14,510,246**	2
Creditors: amounts falling due after more than one year	*8*	**(26,109,795)**	-
Net (liabilities) / assets		**(11,599,549)**	2
Capital and reserves			
Called up share capital	*9*	**83,395**	2
Profit and loss account		**(11,682,944)**	-
Total equity shareholder funds	*10*	**(11,599,549)**	2

The directors have taken advantage in the preparation of these accounts of special provisions of Part VII of the Companies Act 1985 applicable to small companies. The accounts were approved by the board of directors on 26/7/2002 and are signed on its behalf by:

Director

Director

Notes – 31 December 2001

(forming part of the accounts)

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's accounts.

Basis of preparation

The accounts have been prepared under the historical cost accounting rules. The accounts have been prepared on the going concern basis as the financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as it qualifies as a small company under sections 246 to 249 of the Companies Act 1985.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Fixed assets

In accordance with FRS15, tangible fixed assets are stated at cost and include interest charged in respect of loans for the purpose of constructing assets up until practical completion.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

No depreciation was charged during the year as the assets are still under construction.

Capital instruments

Shares are included in shareholder funds. Other debt instruments, which contain an obligation to repay, are classified as liabilities. The finance cost recognised in the profit and loss account in respect of capital instruments other than shares is allocated to periods over the operating life of the instrument to which they relate at a constant rate on the carrying amount.

Notes – 31 December 2001
(forming part of the accounts)

2. Operating loss

	12 months to 31 December 2001 £	8 months to 31 December 2000 £
Operating loss is stated after charging :		
Audit fees	**2,500**	-
Non-audit fees	**857,993**	-

During the period, the company did not directly employ any staff.

3. Directors' emoluments

The directors did not receive any remuneration from the company during the year.

4. Interest payable and similar charges

	12 months to 31 December 2001 £	8 months to 31 December 2000 £
On bank loans (excluding capitalised interest)	**69,918**	-
	69,918	-

5. Fixed assets

	Assets in the course of construction £
Cost	
At 1 January 2001	**-**
Additions	**12,702,383**
At 31 December 2001	**12,702,383**
Net Book Value	
At 31 December 2001	**12,702,383**
At 31 December 2000	-

Included within assets in the course of construction is £82,818 of capitalised interest.

Notes – 31 December 2001
(forming part of the accounts)

6. Debtors

	2001	2000
	£	£
VAT	**4,234,444**	-
	4,234,444	-

7. Creditors: amounts falling due within one year

	2001	2000
	£	£
Trade creditors	**6,490,205**	-
	6,490,205	-

8. *Creditors: amounts falling due after more than one year*

	2001	2000
	£	£
Wholly repayable within five years:		
£8,092,310 bank loan at fixed rate, repayable August 2003	**7,314,557**	-
Other creditors repayable no later than August 2003	**3,505,633**	
Not wholly repayable within five years:		
£37,065,288 bank loan at fixed rate, repayable in instalments commencing August 2003	**5,446,462**	-
£36,510,000 bank loan at fixed rate, repayable in instalments commencing August 2003	**9,843,143**	-
	26,109,795	-

The maturity of debt is as follows:	**2001**	2000
	£	£
Between one and two years	**11,653,143**	
Between two and five years	**1,236,747**	-
In five years or more	**13,219,905**	-
	26,109,795	-

Notes – 31 December 2001
(forming part of the accounts)

Other creditors consist of amounts received from Amey Ventures Limited *in connection with future* surplus site sales (see note 13).

Bank Loans have been hedged via swaps entered into at the date of financial closure. Swaps resulted in 100% of outstanding Senior Debt being fixed.

At the year end, bank loans of £45,156,241 and £36,510,000 are held with the Governor and Company of the Bank of Scotland and the European Investment Bank respectively. The Governor and Company of the Bank of Scotland and the European Investment Bank holds fixed and floating charges with ESP (Holdings) Limited (the holding company) and Edinburgh Schools Partnership Limited (the company) over the assets of the company, assignation securities from the holding *company and the company over the company's right, title and interests in the Edinburgh Schools* Project and a deed of pledge from the holding company in respect of shares in Edinburgh Schools Partnership Limited.

9. Share capital

	2001	2000
	£	£
Authorised		
Ordinary shares of £1 each	**100,000**	100
Allotted, called up and fully paid		
Ordinary shares of £1 each	**83,395**	2

During the year, the authorised share capital was increased by £99,900 by the creation of 99,900 ordinary shares of £1 each.
During the year, 83,393 ordinary shares of £1 each, with an aggregate nominal value of £83,393, were issued fully paid for cash of £83,393.

Notes – 31 December 2001

(forming part of the accounts

10. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit & loss account £	Total shareholders funds £
At 1 January 2001	2	-	2
Loss for the year	-	(11,617,944)	(11,617,944)
Proceeds from share issue	83,393	-	83,393
Equity arrangement fees	-	(65,000)	(65,000)
At 31 December 2001	83,395	(11,682,944)	(11,599,549)

11. Capital commitments

There is a capital commitment of £73,000,000 to build schools not provided in the accounts. This amount is contracted for, and will be paid out over the length of the construction period.

12. Other financial commitments

There were no other financial commitments as at 31 December 2001.

13. Transactions with related parties

During the year, the company purchased services in the normal course of business from shareholders of ESP (Holdings) Limited, the ultimate holding company (see note 14) or their groups, in the following amounts:

- Amey Ventures Limited	£11,433,250
- Bank of Scotland (net of issue costs)	£939,738
- Amey Miller Construction Joint Venture	£12,619,565

Balances due as at 31st December 2001 to shareholders of ESP (Holdings) Limited or their groups were:

- Amey Ventures Limited	£5,506,452
- Bank of Scotland (net of issue costs)	£12,761,020
- Amey Miller Construction Joint Venture	£4,425,924

Notes – 31 December 2001

(forming part of the accounts

Services purchased from Amey Ventures Limited constituted development costs incurred during the period to financial closure. In addition, during the financial year, and as part of financial closure of "the contract", the company entered into an underwriting arrangement with Amey Ventures Limited for which Amey Ventures Limited paid to the Company cash collateral of £3.5 million, which is currently included in other creditors. This amount is repayable to Amey Ventures Limited in the event that certain land sale transactions realise agreed underwritten values.

Services purchased from Bank of Scotland are loan interest and fees.

Amey Miller Construction Joint Venture is a joint venture between Amey Asset Services Limited and Miller Construction (UK) Limited. Services purchased are for design and build work related to the construction of schools.

14. Parent undertaking and ultimate controlling party

The company is a wholly owned subsidiary of ESP (Holdings) Limited, company number SC206929. The accounts of ESP (Holdings) Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.

During the financial year, ESP (Holdings) Limited invested £83,392 in the share capital of Edinburgh Schools Partnership Limited. There were no other transactions and there were no outstanding balances at the year-end.

The Directors consider there to be no ultimate controlling party.