

EDUCATION SUPPORT (ENFIELD 2) LIMITED
(FORMERLY EQUION SUPPORT SERVICES HOLDINGS LIMITED)

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003**



Registered Number: 4420821

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

CONTENTS	Page
Directors and advisors	1
Directors' report	2
Statement of Directors' responsibilities	3
Independent auditors' report to the members of Education Support (Enfield 2) Limited	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8-14

DIRECTORS AND ADVISORS

Directors

A J Ballsdon - appointed 5 May 2004
T A Bicknell - appointed 24 September 2003
A C Bloch - appointed 24 September 2003
G D Blood - resigned 2 June 2003
L Esau - appointed 24 September 2003
M Hidayatullah - appointed 2 June 2003
P D Jones - appointed 2 June 2003
G S Lucas - resigned 24 September 2003
N Rajani - appointed 4 November 2003, resigned 5 May 2004
A C Roper - resigned 2 June 2003
R Weston - resigned 17 November 2003

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 2003.

PRINCIPAL ACTIVITIES

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

FUTURE DEVELOPMENTS

The construction of the schools is due for full completion by August 2005 at which point all of the schools will be operational. The Company will operate the schools until the end of concession on 31 August 2029.

REVIEW OF THE YEAR

The Company was incorporated on 19 April 2002 but did not start trading until 24 September 2003.

The Company changed its name on 9 May 2003 from Equion Support Services Holdings Limited.

The Company secured the position of primary contractor to the Enfield Schools PFI project at financial close on 24 September 2003.

RESULTS AND DIVIDENDS

The loss for the year before and after taxation amounted to £11,000 (period from 19 April 2002 to 31 December 2002 - £nil).

The Directors do not recommend the payment of a dividend (2002 - £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 2003.

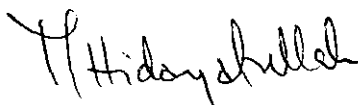
The interests of A C Roper in the shares of John Laing plc, the Company's ultimate parent undertaking, are disclosed in the accounts of Laing Investments Limited. The interests of G S Lucas, P D Jones and G D Blood in the shares of John Laing plc, the Company's ultimate parent undertaking, are disclosed in the accounts of Equion plc.

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

The Company appointed Deloitte & Touche LLP as auditors with effect from 1 August 2003. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



M Hidayatullah
Director
17 May 2004

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 (ENFIELD 2) LIMITED

We have audited the financial statements of Education Support (Enfield 2) Limited (formerly Equion Support Services Holdings Limited) for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 14. 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.

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 2003 and of its loss 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

24 May 2004

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

		Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
	Notes		
Turnover	1, 2	11,591	-
Cost of sales		(11,602)	-
Operating loss	3	(11)	-
Net interest receivable/(payable)	6	-	-
Loss on ordinary activities before taxation		(11)	-
Tax on loss on ordinary activities	7	-	-
Retained loss for the year transferred from reserves	13	(11)	-

A reconciliation of movements in shareholders' deficit is given in note 14.

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

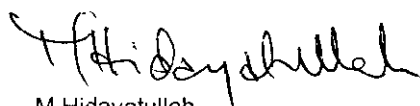
There is no material difference between the results stated in the profit and loss account and their historical cost equivalents.

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.

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
Current assets			
Debtors		11,997	-
- due within one year	8	727	-
- due after more than one year	8	11,270	-
Cash at bank and in hand		2	-
		<u>11,999</u>	<u>-</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(1,903)	-
Net current assets		<u>10,096</u>	<u>-</u>
Total assets less current liabilities		10,096	-
Creditors: amounts falling due after more than one year	9	(10,106)	-
Net liabilities		<u>(10)</u>	<u>-</u>
Capital and reserves			
Called up share capital	12	1	-
Profit and loss account	13	(11)	-
Equity shareholders' deficit	14	<u>(10)</u>	<u>-</u>

The financial statements were approved by the Board of Directors on 17 May 2004 and were signed on its behalf by:



M Hidayatullah
Director
17 May 2004

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

		Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
	Notes		
Net cash outflow from operating activities	16	(9,789)	-
Returns on investments and servicing of finance			
Interest received		3	-
Interest and other financing costs paid		(102)	-
Issue costs of new bank loan		(305)	-
Net cash outflow from returns on investments and servicing of finance		(404)	-
Net cash outflow before use of liquid resources and financing		(10,193)	-
Financing			
Issue of ordinary share capital		1	-
Increase in bank borrowings falling due after more than one year		10,194	-
Net cash inflow from financing		10,195	-
Increase in cash in the year	17	2	-
Reconciliation to net debt			
Net cash at 1 January		-	-
Increase in cash in the year		2	-
Movement in borrowings		(9,889)	-
Other non-cash changes		(2)	-
Net debt at 31 December	17	(9,889)	-

Notes to the financial statements for the year ended 31 December 2003

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 Enfield. 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 road infrastructure assets 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 (Enfield 2) 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.

Notes to the financial statements for the year ended 31 December 2003 (continued)

2 TURNOVER

	Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
Turnover in the year is analysed as follows:		
Construction income	11,323	-
Third party revenue	268	-
	<u>11,591</u>	<u>-</u>

3 OPERATING LOSS

	Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
Operating loss is stated after charging:		
Auditors' remuneration		
- audit services	10	-

Included within the £10,000 auditors' remuneration for audit services is an amount of £2,000 that relates to auditors' remuneration for audit services to Education Support (Enfield 2) Holdings Limited which is borne by Education Support (Enfield 2) 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 C Roper and R Weston is disclosed in the financial statements of Laing Investments Limited. The remuneration of G S Lucas, P D Jones and G D Blood is disclosed in the financial statements of Equion plc. The remuneration of A Bloch, M Hidayatullah and N Rajani are disclosed in the financial statements of Education Support (Newham) Holdings Limited.

No other directors received any remuneration from the Company during the year.

5 STAFF NUMBERS

The Company had no employees during the year (period from 19 April 2002 to 31 December 2002 - nil).

6 NET INTEREST RECEIVABLE/(PAYABLE)

	Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
Interest receivable and similar income		
Interest receivable on bank deposits	3	-
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(109)	-
Amortised debt issue costs	(2)	-
Commitment fee on undrawn loan facility	(24)	-
	<u>(135)</u>	<u>-</u>
Net interest added to Amounts Recoverable on Contracts	132	-
Net interest receivable/(payable)	<u>-</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 2003 (continued)

7 TAX ON LOSS ON ORDINARY ACTIVITIES

The Company does not have a tax charge for the year (period from 19 April 2002 to 31 December 2002 - £nil).

Factors affecting the tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
Loss on ordinary activities before tax	(11)	-
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	(3)	-
Effects of:		
Deferred tax asset not recognised	3	-
Total current tax charge for the year/period	-	-

8 DEBTORS

	2003 £'000	2002 £'000
<u>Due within one year:</u>		
Trade debtors	255	-
Amounts recoverable on contracts	53	-
Other taxation and social security	321	-
Prepayments and accrued income	98	-
	<u>727</u>	<u>-</u>
<u>Due after more than one year:</u>		
Amounts recoverable on contracts	<u>11,270</u>	<u>-</u>

The amounts recoverable on contracts includes cumulative net interest costs of £132,000 (2002 - £nil).

Notes to the financial statements for the year ended 31 December 2003 (continued)

9 CREDITORS

	2003 £'000	2002 £'000
Amounts falling due within one year		
Amounts owed to fellow subsidiary undertakings	25	-
Accruals and deferred income	1,878	-
	<u>1,903</u>	<u>-</u>
Amounts falling due after more than one year		
Bank loans and overdrafts (note 10)	10,194	-
Less: unamortised debt issue costs	(303)	-
Other creditors	215	-
	<u>10,106</u>	<u>-</u>
Analysis of debt:		
Debt can be analysed as falling due:		
In one year or less, on demand	-	-
Between one and two years	2,516	-
Between two and five years	1,026	-
In five years or more	6,652	-
	<u>10,194</u>	<u>-</u>
Less: unamortised debt issue costs	(303)	-
	<u>9,891</u>	<u>-</u>

10 LOANS

The Company has the facilities shown below provided by Dresdner Bank in order to finance the construction of the project. 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 31 August 2005, at the end of the construction period.

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 6.17%.

The loan is 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 2003 £'000	Repayment period (Years)	Margin during construction	Margin during operation
Senior Term	28,569	7,840	24.2	1.05%	0.90% to 1.00%
Equity Bridge	2,354	2,354	see above	0.25%	N/A
Change of Law	278	0	24.2	1.05%	0.90% to 1.00%
Junior	1,967	0	24.2	3.50%	3.25%

Notes to the financial statements for the year ended 31 December 2003 (continued)

11 CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The Company is committed to design and construction costs of £17,361,000 payable to Wates Construction Limited under the Design and Construction Contract relating to the Enfield Schools project between Education Support (Enfield 2) Limited and Wates Construction Limited.

At 31 December 2003, the Company is committed to a total amount of £18,343,000 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 Enfield between Education Support (Enfield 2) Limited and Equion Facilities Management Limited.

12 CALLED UP SHARE CAPITAL

	2003 No.	2002 No.
Authorised:		
Ordinary shares at £1 each	50,000	50,000
	£	£
Allotted, called up and partly paid:		
50,000 ordinary shares at 2p each	1,000	-
Allotted, called up and not paid:		
1 ordinary share at £1	-	1
	1,000	1

During the year a further 49,999 Ordinary Shares of £1 each were allotted in addition to the 1 Ordinary Share of £1 each allotted in 2002.

By a resolution of the Board of Directors dated 19 September 2003 a call of £0.02 per share on 50,000 Ordinary Shares of £1 each was made. This call was fully paid.

The called up £1 per share on 1 Ordinary Share of £1 each in 2002 was unpaid and is now included in the £0.02 per share call on 19 September 2003.

13 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2003	-
Retained loss for the year	(11)
At 31 December 2003	(11)

Notes to the financial statements for the year ended 31 December 2003 (continued)

14 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT

	Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
Opening shareholders' deficit	-	-
Loss for the financial year/period	(11)	-
New shares issued	1	-
Closing shareholders' deficit	(10)	-

15 TRANSACTIONS WITH RELATED PARTIES

	Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
The Company had the following related party transactions during the year:		
Fellow group undertakings:		
Equion Facilities Management Limited		
- Payments made for operating costs	279	-
- Payments made for other construction costs	705	-
Laing Investments Management Services Limited		
- Payments made for Setup and Development fees	634	-
- Payments made for Company Concession overheads	52	-
- Payments for insurance costs recharged	167	-
- Balance payable at 31 December	25	-

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

	Year ended 31 December 2003 £'000	Period from 19 April 2002 to 31 December 2002 £'000
Operating loss	(11)	-
Increase in debtors	(11,865)	-
Increase in creditors	2,087	-
Net cash outflow from operating activities	(9,789)	-

Notes to the financial statements for the year ended 31 December 2003 (continued)

17 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January 2003 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2003 £'000
Cash in hand and at bank	-	2	-	2
Debt due after one year	-	(9,889)	(2)	(9,891)
	-	(9,887)	(2)	(9,889)

Movement in borrowings:

	£'000
Debt due after one year:	
New secured bank loan	10,194
Increase in borrowings	10,194
Issue costs of new bank loan	(305)
Cash inflow	9,889

18 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is Education Support (Enfield 2) 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 can also be accessed for Parent Company information, including annual reports, Stock Exchange announcements, press releases and other background information.