

EDUCATION SUPPORT (ENFIELD 2) LIMITED

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



Registered Number: 4420821

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

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
A C Bloch
J Cann (appointed 17 September 2004)
L Esau
M Hidayatullah (resigned 6 October 2004)
P D Jones (resigned 16 September 2004)
J M Linney (appointed 6 October 2004)
N Rajani (resigned 5 May 2004)

Company secretary and registered office

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

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Solicitors

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

Principal bankers

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is the design, build and operation of 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 continued the construction of the schools throughout the year. Four of the total five phases of the project were completed and handed over to the London Borough of Enfield by the end of 2004 and both unitary payments and operations have begun in respect of these phases. The final phase is due for completion in July 2005. All of the four phases were completed late but the Company has recovered liquidated damages from the D&C Contractor to cover the resultant lost unitary income. The London Borough of Enfield has levied significant deductions against the unitary income in respect of the completed phases because of certain areas of these schools being unavailable for use. The Company has to date passed these deductions onto both the D&C Contractor and the FM sub-contractor although the level of the deductions is to be disputed by the Company with the London Borough of Enfield.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £103,000 (2003 - loss £11,000). After taxation of £32,000 (2003 - £nil), profit for the year was £71,000 (2003 - loss £11,000).

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

DIRECTORS

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

DIRECTORS' INTERESTS

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

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

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

AUDITORS

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

On behalf of the Board



J Cann
Director

S May 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

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 for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit 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

6 May 2005

EDUCATION SUPPORT (ENFIELD 2) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Turnover	1, 2	19,424	11,591
Cost of sales		(19,464)	(11,602)
Operating loss	3	<u>(40)</u>	<u>(11)</u>
Net interest receivable	6	143	-
Profit/(loss) on ordinary activities before taxation		<u>103</u>	<u>(11)</u>
Tax on profit/(loss) on ordinary activities	7	(32)	-
Retained profit/(loss) for the year transferred to/(from) reserves	13	<u>71</u>	<u>(11)</u>

A reconciliation of movements in equity shareholders' funds 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 and preceding year, and therefore no separate statement of total recognised gains and losses has been presented.

EDUCATION SUPPORT (ENFIELD 2) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Current assets			
Debtors		30,334	11,997
- due within one year	8	1,212	727
- due after more than one year	8	29,122	11,270
Cash at bank and in hand		16	2
		<u>30,350</u>	<u>11,999</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(3,567)	(1,903)
Net current assets		<u>26,783</u>	<u>10,096</u>
Total assets less current liabilities		26,783	10,096
Creditors: amounts falling due after more than one year	9	(26,722)	(10,106)
Net assets/(liabilities)		<u>61</u>	<u>(10)</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	60	(11)
Equity shareholders' funds/(deficit)	14	<u>61</u>	<u>(10)</u>

The financial statements were approved by the Board of Directors on 5 May 2005 and were signed on its behalf by:



J Cann
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Net cash outflow from operating activities	16	(17,754)	(9,789)
Returns on investments and servicing of finance			
Interest received		9	3
Interest and other financing costs paid		(1,351)	(102)
Issue costs of new bank loan		-	(305)
Net cash outflow from returns on investments and servicing of finance		(1,342)	(404)
Net cash outflow before use of liquid resources and financing		(19,096)	(10,193)
Financing			
Issue of ordinary share capital		-	1
Increase in bank borrowings		19,110	10,194
Net cash inflow from financing		19,110	10,195
Increase in cash in the year	17	14	2
Reconciliation to net debt			
Net debt at 1 January		(9,889)	-
Increase in cash in the year		14	2
Movement in borrowings		(19,110)	(9,889)
Other non-cash changes		(17)	(2)
Net debt at 31 December	17	(29,002)	(9,889)

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

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding year, 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 is included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

e) Construction period interest

Interest costs on borrowings used to fund the construction of the schools 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.

EDUCATION SUPPORT (ENFIELD 2) LIMITED

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

2 TURNOVER

	2004	2003
	£'000	£'000
Turnover in the year is analysed as follows:		
Construction services income	18,490	11,323
Operating revenue	934	268
	<u>19,424</u>	<u>11,591</u>

3 OPERATING LOSS

	2004	2003
	£'000	£'000
Operating loss is stated after charging:		
Auditors' remuneration		
- audit services	<u>11</u>	<u>10</u>

Included within the £11,479 auditors' remuneration for audit services is an amount of £2,087 that relates to auditors' remuneration for audit services to Education Support (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 P D Jones, A J Ballsdon and J Cann is disclosed in the financial statements of Equion Limited. The remuneration of A C Bloch, J M Linney, 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 (2003 - nil).

6 NET INTEREST RECEIVABLE

	2004	2003
	£'000	£'000
Interest receivable and similar income		
Interest receivable on finance debtor	474	-
Interest receivable on bank deposits	9	3
	<u>483</u>	<u>3</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(1,261)	(109)
Amortised debt issue costs	(17)	(2)
Commitment fee on undrawn loan facility	(59)	(24)
	<u>(1,337)</u>	<u>(135)</u>
Net interest added to amounts recoverable on contracts	997	132
Net interest receivable	<u>143</u>	<u>-</u>

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

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2004 £	2003 £
<u>Analysis of charge for the year</u>		
Current tax		
UK corporation tax	(32)	-
Total tax charge on profit/(loss) on ordinary activities	<u>(32)</u>	<u>-</u>
<i>Factors affecting the tax charge for the current year</i>		

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

	2004 £'000	2003 £'000
Profit/(loss) on ordinary activities before tax	<u>103</u>	<u>(11)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	(31)	3
Effects of:		
Items disallowed for tax purposes	(1)	-
Deferred tax asset not recognised	-	(3)
Total current tax charge for the year	<u>(32)</u>	<u>-</u>

8 DEBTORS

	2004 £'000	2003 £'000
<u>Due within one year:</u>		
Trade debtors	-	255
Finance debtor	450	-
Amounts recoverable on contracts	93	53
Other taxation and social security	199	321
Prepayments and accrued income	470	98
	<u>1,212</u>	<u>727</u>
<u>Due after more than one year:</u>		
Finance debtor	24,470	-
Amounts recoverable on contracts	4,652	11,270
	<u>29,122</u>	<u>11,270</u>

The finance debtor and amounts recoverable on contracts include cumulative net interest costs of £1,114,000 (2003 - £132,000).

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

9 CREDITORS

	2004 £'000	2003 £'000
Amounts falling due within one year		
Bank loans and overdrafts (note 10)	2,354	-
Less: unamortised debt issue costs	(25)	-
Amounts owed to fellow subsidiary undertakings	-	25
Corporation taxation	32	-
Other creditors	469	-
Accruals and deferred income	737	1,878
	<u>3,567</u>	<u>1,903</u>
Amounts falling due after more than one year		
Bank loans and overdrafts (note 10)	26,950	10,194
Less: unamortised debt issue costs	(261)	(303)
Other creditors	33	215
	<u>26,722</u>	<u>10,106</u>
Analysis of debt:		
Debt can be analysed as falling due:		
In one year or less	2,354	-
Between one and two years	1,400	2,516
Between two and five years	3,478	1,026
In five years or more	22,072	6,652
	<u>29,304</u>	<u>10,194</u>
Less: unamortised debt issue costs	(286)	(303)
	<u>29,018</u>	<u>9,891</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 2004 £'000	Repayment period (Years)	Margin during construction	Margin during operation
Senior Term	28,569	26,950	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	-	24.2	1.05%	0.90% to 1.00%
Junior	1,967	-	24.2	3.50%	3.25%

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

11 CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The Company is committed to remaining design and construction costs of £2,196,000 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 2004, the Company is committed to a remaining amount of £15,889,000 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

	2004 No.	2003 No.
Authorised:		
Ordinary shares at £1 each	50,000	50,000
	£'000	£'000
Allotted, called up and partly paid:		
50,000 ordinary shares of £1 each paid to 2p each	1	1
Allotted, called up and not paid:		
1 ordinary share at £1	-	-
	1	1

13 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2004	(11)
Retained profit for the year	71
At 31 December 2004	60

EDUCATION SUPPORT (ENFIELD 2) LIMITED

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

14 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)

	2004	2003
	£'000	£'000
Opening equity shareholders' deficit	(10)	-
Profit/(loss) for the financial year	71	(11)
New shares issued	-	1
Closing equity shareholders' funds/(deficit)	<u>61</u>	<u>(10)</u>

15 TRANSACTIONS WITH RELATED PARTIES

The Company had the following related party transactions during the year:	2004	2003
	£'000	£'000
Fellow group undertakings:		
Equion Facilities Management Limited		
- Payments made for operating costs	757	279
- Payments made for other construction costs	1,481	705
- Balance accrued at 31 December	67	-
Laing Investments Management Services Limited		
- Payments made for Setup and Development fees	-	634
- Payments made for Company Concession overheads	126	52
- Payments for insurance costs recharged	249	167
- Balance payable at 31 December	-	25

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

	2004	2003
	£'000	£'000
Operating loss	(40)	(11)
Increase in debtors	(16,866)	(11,865)
(Decrease)/increase in creditors	(848)	2,087
Net cash outflow from operating activities	<u>(17,754)</u>	<u>(9,789)</u>

EDUCATION SUPPORT (ENFIELD 2) LIMITED

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

17 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January 2004 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2004 £'000
Cash in hand and at bank	2	14	-	16
Debt due within one year	-	(1,535)	(794)	(2,329)
Debt due after one year	(9,891)	(17,575)	777	(26,689)
Net debt	<u>(9,889)</u>	<u>(19,096)</u>	<u>(17)</u>	<u>(29,002)</u>

Movement in borrowings:

	£'000
Debt due within 1 year:	
New secured bank loan	(1,535)
Debt due after 1 year:	
New secured bank loan	(17,575)
Increase in borrowings	<u>(19,110)</u>
Cash inflow	<u>(19,110)</u>

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.