

**Robertson Education (Aberdeenshire) Holdings
Limited**

**Directors' report and consolidated
financial statements**

Registered number SC209010

31 December 2002



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Directors' report

The directors present their report and the financial statements for the year ended 31 December 2002.

Principal activities

The design, build, finance, operation and maintenance of new schools in Aberdeenshire to Aberdeenshire Council under the Governments Private Finance Initiative scheme.

Business review

Robertson Education (Aberdeenshire) Holdings Limited is a special purpose holding company established by Robertson Group Limited, Quayle Munro PFI Fund Limited Partnership and Uberior Investments plc. The company's sole subsidiary, Robertson Education (Aberdeenshire) Limited has entered into a 25 year contract with Aberdeenshire Council to design, build, finance, operate and maintain new primary and secondary schools at Banff and Old Meldrum in Aberdeenshire, including the provision of hard and soft facilities management services.

Completion of Phase 1 occurred on 18 February 2002. Phase 2 was completed in August 2002.

Directors and directors' interests

The directors who held office during the period were as follows:

WG Robertson

AD Darling (resigned 11 November 2002)

JC Elliot

J Perks (appointed 11 November 2002)

M Smith (appointed 11 November 2002)

None of the directors had any interest in the shares of the company as recorded in the register of directors' interests.

WG Robertson is a majority shareholder in Robertson Group Limited. His interests in the shares of that company are shown in the director's report of that company. Robertson Group Limited received fees of £6,360 (2001: £4,092) from the company during the year in respect of the services of WG Robertson as a director.

JC Elliot is a director of Quayle Munro Limited which is manager of the Quayle Munro PFI Fund Limited Partnership. Quayle Munro received fees of £6,360 (2001: £4,092) from the company during the year in respect of the services of JC Elliot as a director.

AD Darling is a director of Uberior Infrastructure Investments Limited which is a subsidiary of Bank of Scotland. Bank of Scotland received fees of £6,360 (2001: £4,092) from the company during the year in respect of the services of AD Darling as a director.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as the auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



I Clark
Secretary

Stirling

30 October 2003

Statement of directors' responsibilities

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 and group and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

20 Castle Terrace

Edinburgh

EH1 2EG

United Kingdom

Independent auditors' report to the members of Robertson Education (Aberdeenshire) Holdings Limited

We have audited the financial statements on pages 4 to 14.

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 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditors

31 October 2003

Consolidated profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	Year ended 31 December 2002 £	11 July 2000 to 31 December 2001 £
Turnover	<i>1</i>	5,535,530	17,394,640
Cost of sales		(5,433,039)	(17,394,762)
Gross profit/(loss)		102,491	(122)
Administrative expenses		(70,929)	-
Operating profit/(loss)	<i>2 & 3</i>	31,562	(122)
Other interest receivable and similar income	<i>4</i>	13,325	6,492
Interest payable and similar charges	<i>5</i>	(842,778)	-
Interest receivable re finance debtor		1,074,000	-
Profit on ordinary activities before taxation		276,109	6,370
Tax on profit on ordinary activities	<i>6</i>	(160,350)	-
Profit for the financial year	<i>12</i>	115,759	6,370

The profit for the year has been derived from continuing activities.

There have been no recognised gains or losses during the year other than as recorded in the profit and loss account.

Consolidated balance sheet
at 31 December 2002

	<i>Note</i>	2002 £	2001 £
Current assets			
Debtors: due within one year	8	627,479	524,560
Debtors: due after more than one year	8	20,998,000	17,394,640
Cash at bank		1,059,818	-
		22,685,297	17,919,200
Creditors			
Amounts falling due within one year	9	(1,190,588)	(2,278,932)
Total assets less current liabilities		21,494,709	15,640,268
Creditors			
Amounts falling due after more than one year	10	(21,112,230)	(15,533,898)
Provisions for liabilities and charges	11	(160,350)	-
Net assets		222,129	106,370
Capital and reserves			
Called up share capital	12	1,000	1,000
Share premium	13	99,000	99,000
Profit and loss account	13	122,129	6,370
Equity shareholders' funds	14	222,129	106,370

These financial statements were approved by the board of directors on ^{31 October} 2003 and were signed on its behalf by:



J C Elliot
 Director

Company balance sheet
at 31 December 2002

	<i>Note</i>	2002 £	2001 £
Current assets			
Investments	7	<u>100,000</u>	<u>100,000</u>
Capital and reserves			
Called up share capital	12	<u>1,000</u>	<u>1,000</u>
Share premium	13	<u>99,000</u>	<u>99,000</u>
Equity Shareholders' funds	14	<u>100,000</u>	<u>100,000</u>

These financial statements were approved by the board of directors on ^{31 October} 2003 and were signed on its behalf by:



J C Elliot

Director

Consolidated cash flow

For the year ended 31 December 2002

	<i>Notes</i>	2002 £	2001 £
Reconciliation of operating profit to operating cash flows			
Operating profit/(loss)		31,562	(122)
(Increase) in debtors		(3,706,279)	(17,919,200)
(Decrease)/increase in creditors		(855,291)	17,357,297
Net cash outflow from operating activities		(4,530,008)	(562,025)
Cash flow statement			
Net cash outflow from operating activities		(4,530,008)	(562,025)
<i>Returns on investments and servicing of finance</i>			
Interest received		244,547	6,492
Financing		(4,285,461)	(555,533)
		5,800,812	100,000
Increase/(decrease) in cash		1,515,351	(455,533)
Reconciliation of net cash flow to movement in net debt			
	16		
Increase/(decrease) in cash in the period		1,515,351	(455,533)
Cash inflow from increase in loans and loan stock financing		(5,800,812)	(15,533,898)
Movement in net debt in year		(4,285,461)	(15,989,431)
Net debt brought forward		(15,989,431)	-
Net debt carried forward		(20,274,892)	(15,989,431)

Notes

(forming part of 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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of Robertson Education (Aberdeenshire) Holdings Limited and its subsidiary undertaking, Robertson Education (Aberdeenshire) Limited.

In the Company's financial statements, the investment in the subsidiary undertaking is stated at cost.

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

Long term contracts

Work in progress has been accounted for in accordance with SSAP 9. Work in progress is stated at cost and includes interest charged in respect of loans for the purpose of financing work in progress. Periodically turnover is recognised together with a contract receivable debtor.

On completion of the construction phase the resultant contract receivable debtor was reclassified as a finance debtor.

Finance debtor

Costs incurred in the construction of the schools have been accounted for under Financial Reporting Standard (FRS) 5 Application Note F.

Applying the guidance within the Application Note indicates that the project's principal agreement transfers substantially all the risks and rewards of ownership to the customer.

As such the costs incurred on the project have been treated as a finance debtor within these accounts.

Fees are allocated between turnover and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

Financial instruments

The company is party to derivative interest rate swap agreements, which are issued to manage exposures to fluctuations in interest rates.

Finance costs in accordance with FRS4 are charged to the profit and loss account over the life of the loan.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred as a result of timing differences in the treatment of certain items for taxation and accounting purposes.

Notes (continued)

2 Profit and loss account

Company

During the current financial year the holding company did not trade and received no income and incurred no expenditure. Consequently, during the year the holding company made neither a profit or a loss.

Group	Year to 31 December 2002 £	11 July 2000 to 31 December 2001 £
<i>Operating profit is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	8,000	6,000

3 Directors remuneration

The shareholders received fees of £19,080 (2001: £12,277) from the group during the year in respect of services provided by the directors. There were no employees of the group during the year.

4 Interest receivable

	Year to 31 December 2002 £	11 July 2000 to 31 December 2001 £
Interest receivable from bank deposits	13,325	6,492

5 Interest payable

	Year to 31 December 2002 £	11 July 2000 to 31 December 2001 £
Subordinated loan	105,739	-
Bank loan	737,039	-
	842,778	-

Notes (continued)

6 Taxation

Analysis of charge in period

	Year to 31 December 2002 £	11 July 2000 to 31 December 2001 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Deferred tax	160,350	-
Double tax relief	160,350	-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%, 2001: 30 %). The differences are explained below.

	Year to 31 December 2002 £	11 July 2000 to 31 December 2001 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	276,109	6,370
Current tax at 30% (2001 : 30 %)	82,833	1,911
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,500	-
Timing differences	(87,333)	-
Utilisation of tax losses	-	(1,911)
Total current tax charge (see above)	-	-

7 Investments

	Company 2002 £	Company 2001 £
Investment in subsidiary undertaking	100,000	100,000

Notes (continued)

8 Debtors

	Group 2002 £	Group 2001 £
<i>Amounts falling due within one year:</i>		
Finance debtor	377,000	-
Trade debtors	250,479	-
VAT recoverable	-	524,560
	627,479	524,560
<i>Amounts falling due after more than one year:</i>		
Finance debtor	20,998,000	-
Amounts recoverable on contracts	-	17,394,640
	20,998,000	17,394,640
		£
<i>Finance debtor</i>		
At beginning of year		-
Additions		21,658,000
Repayments received		(283,000)
At end of year		21,375,000

9 Creditors: amounts falling due within one year

	Group 2002 £	Group 2001 £
Bank loan and overdraft	222,480	455,533
Trade creditors	105,234	-
Taxation and social security	52,661	-
Accruals	810,213	1,823,399
	1,190,588	2,278,932

Notes (continued)

10 Creditors: amounts falling due after more than one year

	Group 2002 £	Group 2001 £
Bank loan	19,001,992	14,143,676
Subordinated debt	2,110,238	1,390,222
	<u>21,112,230</u>	<u>15,533,898</u>

Senior debt provided by Bank of Scotland under the Loan Agreement bears fixed interest at 5.78% per annum under a swap agreement entered into by the company. The bank loan is stated net of finance costs of £247,000. The bank loan is repayable in quarterly instalments which commenced on 15 July 2003. The final repayment date of the bank loan is 15 July 2024.

Subordinated debt provided by Robertson Group Limited (50%), Bank of Scotland (30%) and Quayle Munro PFI Fund Limited Partnership (20%) bears interest at 12% per annum. The principal is repayable in full in 2025.

Analysis of debt:	2002 £	2001 £
Debt can be analysed as falling due:		
In one year or less, or on demand	222,480	455,533
Between one and two years	535,600	222,480
Between two and five years	1,573,840	1,351,360
In five years or more	19,002,790	13,960,058
	<u>21,334,710</u>	<u>15,989,431</u>

11 Provisions for liabilities and charges

	Group Deferred taxation £
At beginning of year	-
Charge to the profit and loss account for the year	160,350
At end of year	<u>160,350</u>
The elements of deferred tax are as follows:	
	2002 £
Difference between accumulated depreciation and amortisation and capital allowances	449,235
Other timing differences	317,602
Tax losses	(606,487)
	<u>160,350</u>

Notes (continued)

12 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Equity: 100,000 ordinary shares of £0.01 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
Equity: 100,000 ordinary shares of £0.01 each	1,000	1,000

13 Share premium and reserves

	Group and Company Share premium account £	Group Profit and loss account £
At beginning of year	99,000	6,370
Retained profit for the year	-	115,759
At end of year	99,000	122,129

14 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
<i>Group</i>		
Profit for the financial year	15,759	6,370
New share capital subscribed	-	100,000
Net addition to shareholders' funds	115,759	106,370
Opening shareholders' funds	106,370	-
Closing shareholders' funds	222,129	106,370
	2002 £	2001 £
<i>Company</i>		
New share capital subscribed	-	100,000
Net addition to shareholders' funds	-	100,000
Opening shareholders' funds	100,000	-
Closing shareholders' funds	100,000	100,000

Notes (continued)

15 Commitments

Capital commitments at the end of the financial period amounted to £Nil (2001: £4,123,707).

16 Analysis of net debt

	At beginning of year	Increase in cash	Increase in debt	At end of year
	£		£	£
Cash at bank	(455,533)	1,515,351	-	1,059,818
Debt due within one year	-	-	(222,480)	(222,480)
Net borrowings due after more than one year	(15,533,898)	-	(5,578,332)	(21,112,230)
	<u>(15,989,431)</u>	<u>1,515,351</u>	<u>(5,800,812)</u>	<u>(20,274,892)</u>
Total	<u>(15,989,431)</u>	<u>1,515,351</u>	<u>(5,800,812)</u>	<u>(20,274,892)</u>

17 Related parties

The main construction contract for the Aberdeenshire Schools PFI Project was placed with Robertson Group (Construction) Limited, whose ultimate holding company is Robertson Group Limited, a 50% shareholder in the company.

The shareholding at 31 December 2002 was owned 50% Robertson Group Limited and 30% Ueberior Investments plc and 20% Quayle Munro PFI Fund Limited Partnership.

	Robertson Group Limited	Bank of Scotland	Quayle Munro PFI Fund Limited Partnership and Quayle Munro Limited
	£	£	£
Expenditure:			
Operating costs and interest	14,053,893	1,330,364	38,263
Balances outstanding at the end of the period:			
Senior debt	-	19,224,472	-
Subordinate debt	1,055,119	633,071	422,048
Trade creditors and accruals	336,054	539,219	24,432