

**Robertson Education (Aberdeenshire) Holdings
Limited**

**Directors' report and consolidated
financial statements**

Registered number SC209010

31 December 2003



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Directors' report

The directors present their report and the financial statements for the year ended 31 December 2003.

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 company established by Robertson Group Limited, Quayle Munro PFI Fund Limited Partnership and Uberior Infrastructure Investments Limited. The company 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
JC Elliot
J Perks
M Smith

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 transferred its interest in the share capital and subordinated debt in the ultimate holding company Robertson Education (Aberdeenshire) Limited to another group company, Robertson Capital Projects Limited on 3rd June 2003. Robertson Capital Projects Limited received fees of £5,189 (2002: £6,360) 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 £5,189 (2002: £6,360) from the company during the year in respect of the services of JC Elliot as a director.

Bank of Scotland, which is the parent company of Uberior Infrastructure Investments Limited, received fees of £5,189 (2002: £6,360) from the company during the year in respect of the services of M Smith and J Perks as directors.

Auditors

Pursuant to a shareholders' resolution the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



I Clark
Secretary

Stirling

29th March 2004

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 2003 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

*Chartered Accountants
Registered Auditors*

29 March 2004

Consolidated profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Turnover	2	1,184,574	5,535,530
Cost of sales		(652,959)	(5,433,039)
Gross profit		531,615	102,491
Administrative expenses		(192,522)	(70,929)
Operating profit	3	339,093	31,562
Other interest receivable and similar income	5	35,399	13,325
Interest payable and similar charges	6	(1,589,375)	(842,778)
Interest receivable re finance debtor		1,423,455	1,074,000
Profit on ordinary activities before taxation		208,572	276,109
Tax on profit on ordinary activities	7	(113,236)	(160,350)
Profit for the financial year	14	95,336	115,759

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

Consolidated balance sheet
at 31 December 2003

	<i>Note</i>	2003 £	2002 £
Current assets			
Debtors: due within one year	9	651,945	627,479
Debtors: due after more than one year	9	20,949,811	20,998,000
Cash at bank		811,284	1,059,818
		22,413,040	22,685,297
 Creditors			
Amounts falling due within one year	10	(969,293)	(1,190,588)
Total assets less current liabilities		21,443,747	21,494,709
 Creditors			
Amounts falling due after more than one year	11	(20,852,696)	(21,112,230)
Provisions for liabilities and charges	12	(273,586)	(160,350)
Net assets		317,465	222,129
 Capital and reserves			
Called up share capital	13	1,000	1,000
Share premium	14	99,000	99,000
Profit and loss account	14	217,465	122,129
Equity shareholders' funds	15	317,465	222,129

These financial statements were approved by the board of directors on 29 March 2004 and were signed on its behalf by:



WG Robertson
Director

Company balance sheet
at 31 December 2003

	<i>Note</i>	2003 £	2002 £
Current assets			
Investments	8	<u>100,000</u>	<u>100,000</u>
Capital and reserves			
Called up share capital	13	<u>1,000</u>	<u>1,000</u>
Share premium	14	<u>99,000</u>	<u>99,000</u>
Equity Shareholders' funds	15	<u>100,000</u>	<u>100,000</u>

These financial statements were approved by the board of directors on 29 March 2004 and were signed on its behalf by:



WG Robertson
 Director

Consolidated cash flow

For the year ended 31 December 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit to operating cash flows			
Operating profit/(loss)		339,093	31,562
Decrease/(increase) in debtors		23,723	(3,706,279)
(Decrease)/increase in creditors		(518,011)	(855,291)
Net cash outflow from operating activities		(155,195)	(4,530,008)
Cash flow statement			
Net cash outflow from operating activities		(155,195)	(4,530,008)
<i>Returns on investments and servicing of finance</i>			
Net interest (paid)/received		(130,521)	244,547
Financing		(285,716)	(4,285,461)
		37,182	5,800,812
(Decrease)/increase in cash		(248,534)	1,515,351
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(248,534)	1,515,351
Cash inflow from increase in loans and loan stock financing		(37,182)	(5,800,812)
Movement in net debt in year		(285,716)	(4,285,461)
Net debt brought forward		(20,274,892)	(15,989,431)
Net debt carried forward	17	(20,560,608)	(20,274,892)

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.

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.

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. Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet, except as otherwise required by FRS 19.

2 Turnover

	Group 2003 £	Group 2002 £
Services Fee	1,184,574	493,394
Value of work done	-	5,042,136
	1,184,574	5,535,530

Notes (continued)

3 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 2003 £	Year to 31 December 2002 £
<i>Operating profit is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	4,500	8,000
Other Services	4,000	-
	<u>8,500</u>	<u>8,000</u>

4 Directors remuneration

The shareholders received fees of £15,567 (2002: £19,000) from the group during the year in respect of services provided by the directors.

There are no employees of the company and its subsidiary.

5 Interest receivable

	Year to 31 December 2003 £	Year to 31 December 2002 £
Interest receivable from bank deposits	<u>35,399</u>	<u>13,325</u>

6 Interest payable

	Year to 31 December 2003 £	Year to 31 December 2002 £
Subordinated loan	258,803	105,739
Bank loan	<u>1,330,572</u>	<u>737,039</u>
	<u>1,589,375</u>	<u>842,778</u>

Notes (continued)

7 Taxation

Analysis of charge in period

	Year to 31 December 2003 £	Year to 31 December 2002 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Deferred tax (Note 12)	113,236	160,350
Tax on profit on ordinary activities	113,236	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 (2003: 30%, 2002: 30 %). The differences are explained below.

	Year to 31 December 2003 £	Year to 31 December 2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	208,572	276,109
Current tax at 30% (2002 : 30 %)	62,572	82,833
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	4,500
Capital allowances in excess of depreciation	(381,762)	-
Timing differences	72,660	(87,333)
Utilisation of tax losses	246,530	-
Total current tax charge (see above)	-	-

8 Investments

	Company 2003 £	Company 2002 £
Investment in subsidiary undertaking	100,000	100,000

Notes (continued)

9 Debtors

	Group 2003 £	Group 2002 £
<i>Amounts falling due within one year:</i>		
Finance debtor	399,684	377,000
Trade debtors	252,261	250,479
	651,945	627,479
<i>Amounts falling due after more than one year:</i>		
Finance debtor	20,949,811	20,998,000
	20,949,811	20,998,000
		£
<i>Finance debtor</i>		
At beginning of year		21,375,000
Additions		344,495
Repayments received		(370,000)
At end of year		21,349,495

10 Creditors: amounts falling due within one year

	Group 2003 £	Group 2002 £
Bank loan	519,196	222,480
Trade creditors	56,680	105,234
Taxation and social security	23,782	52,661
Accruals	369,635	810,213
	969,293	1,190,588

Notes (continued)

11 Creditors: amounts falling due after more than one year

	Group 2003 £	Group 2002 £
Bank loan	18,742,458	19,001,992
Subordinated debt	2,110,238	2,110,238
	<u>20,852,696</u>	<u>21,112,230</u>

Robertson Education (Aberdeenshire) Limited has a 24 year term loan with Bank of Scotland secured by fixed and floating charges over its assets and undertakings. The loan bears fixed interest at 5.78% per annum under a swap agreement entered into by the same company. The swap rate is fixed for the duration of the term loan. The term loan is stated net of finance costs of £247,000 (2002: £247,000), and is repayable in quarterly instalments which commenced on 15 July 2003. The final repayment date of the term loan is 15 July 2024.

Subordinated debt provided to the parent company, Robertson Education (Aberdeenshire) Holdings Limited by Robertson Capital Projects 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:	2003 £	2002 £
Debt can be analysed as falling due:		
In one year or less, or on demand	519,196	222,480
Between one and two years	410,528	535,600
Between two and five years	1,475,082	1,573,840
In five years or more	18,967,086	19,002,790
	<u>21,371,892</u>	<u>21,334,710</u>

12 Provisions for liabilities and charges

	Group Deferred taxation £
At beginning of year	160,350
Charge to the profit and loss account for the year	113,236
At end of year	<u>273,586</u>

The elements of deferred tax are as follows:	2003 £	2002 £
Difference between accumulated depreciation and amortisation and capital allowances	830,997	449,235
Other timing differences	701,157	317,602
Tax losses	(1,258,568)	(606,487)
	<u>273,586</u>	<u>160,350</u>

Notes (continued)

13 Called up share capital

	2003 £	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

14 Share premium and reserves

	Group and Company Share premium account £	Group Profit and loss account £
At beginning of year	99,000	122,129
Retained profit for the year	-	95,336
At end of year	99,000	217,465

15 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
<i>Group</i>		
Profit for the financial year	95,336	115,759
New share capital subscribed	-	-
Net addition to shareholders' funds	95,336	115,759
Opening shareholders' funds	222,129	106,370
Closing shareholders' funds	317,465	222,129
	2003 £	2002 £
<i>Company</i>		
New share capital subscribed	-	-
Net addition to shareholders' funds	-	-
Opening shareholders' funds	100,000	100,000
Closing shareholders' funds	100,000	100,000

Notes (continued)

16 Commitments

Capital commitments at the end of the financial period amounted to £Nil (2002: £nil).

17 Analysis of net debt

	At beginning of year	Decrease in cash	Increase in debt	At end of year
	£		£	£
Cash at bank	1,059,818	(248,534)		811,284
Debt due within one year	(222,480)	-	(296,716)	(519,196)
Net borrowings due after more than one year	(21,112,230)	-	259,534	(20,852,696)
Total	(20,274,892)	(248,534)	(37,182)	(20,560,608)

18 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 Capital Projects Limited, a 50% shareholder in the company.

The shareholding at 31 December 2003 was owned 50% Robertson Group Limited and 30% Ueberior Infrastructure Investments plc and 20% Quayle Munro PFI Fund Limited Partnership.

	Robertson Group Limited	Bank of Scotland	Quayle Munro PFI Fund Limited Partnership
	£	£	£
Expenditure:			
Operating costs and interest	803,525	1,418,253	56,950
Balances outstanding at the end of the period:			
Senior debt	-	19,261,654	-
Subordinate debt	1,055,119	633,071	422,048
Trade creditors and accruals	89,134	297,787	11,981

19 Contingent liabilities

The company has granted a guarantee supported by fixed and floating charges over its assets and undertakings, in security of its wholly owned subsidiary's term loan from Bank of Scotland.