

Cruciform Services Limited

Annual report and financial statements
for the year ended 31 December 2007

Registered number 3375953

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Cruciform Services Limited

Annual report and financial statements for the year ended 31 December 2007

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Cruciform Services Limited

Directors and advisors

Directors

D F Lindesay
A Rhodes

Secretary

Trillium Secretariat Services Limited

Registered office

140 London Wall
London
EC2Y 5DN

Independent auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Cruciform Services Limited

Directors' report for the year ended 31 December 2007

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Results, principal activities and review of the business

The company's sole activity is the redevelopment of the Cruciform Building, Gower Street, London as a medical school for University College London and the provision of facilities management services at the school for twenty five years under a contract under the Private Finance Initiative

The profit for the year attributable to shareholders which has been dealt with in the financial statements is £105,000 (2006 £20,000)

In line with the current contractual circumstances of the company, a financial model covering the periods up to August 2024 has been produced. From this model the directors are satisfied the company will generate positive cash flows and profits over the life of the contract.

The profit for the financial year is set out in the profit and loss account on page 5. The directors consider that both the level of business and the year end financial position were satisfactory.

Dividends

No dividend is proposed (2006 £nil)

Principal risks and uncertainties

The company has taken on the activity as detailed above and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the following section.

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below.

Interest rate risk

The senior and subordinated debt interest have been fixed through the use of fixed funding rates, plus a margin. Details of these can be found on page 12.

Inflation risk

The funding to the company was agreed as part of the overall PFI contracts with lenders, clients and shareholders, and suitable hedging has been put in place, as set out in the notes to the accounts.

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The company receives the bulk of its revenue from University College London and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

Cruciform Services Limited

Directors' report for the year ended 31 December 2007 (continued)

Directors

The directors of the company during the year and subsequently, are set out below

I R Gethin (resigned 2 January 2008)
D F Lindesay (appointed 2 January 2008)
A Rhodes (appointed 2 January 2008)
B S Williams (resigned 14 August 2007)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

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 UK 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, so far as the directors are aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that PwC are aware of that information.

Auditors

Having passed elective resolutions of the shareholders at an extraordinary general meeting, the company is exempt from the obligation to annually reappoint auditors and to hold annual general meetings. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly the board recommends that PricewaterhouseCoopers LLP continue in office as auditors to the company.

By order of the board

**On behalf of Trilium Secretariat Services Limited
Secretary**



31 MARCH 2008

Independent auditors' report to the members of Cruciform Services Limited

We have audited the financial statements of Cruciform Services Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

21 May 2008

Cruciform Services Limited

Profit and loss account for the year ended 31 December 2007

	Note	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Turnover	1	1,253	1,275
Cost of sales		(1,085)	(1,102)
Gross profit		168	173
Administrative expenses		(79)	(148)
Operating profit	2	89	25
Interest receivable and similar income	3	1,716	1,665
Interest payable and similar charges	4	(1,656)	(1,661)
Profit on ordinary activities before taxation		149	29
Tax on profit on ordinary activities	5	(44)	(9)
Retained profit for the year	11	105	20

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom

There are no material differences between the profit as shown in the profit and loss account above and its historical cost equivalent

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

The movement on reserves is shown in note 11 to the financial statements

Cruciform Services Limited

Balance sheet as at 31 December 2007

	Note	31 December 2007 £'000	31 December 2006 £'000
Current assets			
Debtors amounts falling due within one year	6	772	548
Debtors amounts falling due after more than one year	7	15,801	15,953
Cash at bank and in hand		4,924	4,307
		21,497	20,808
Creditors: amounts falling due within one year	8	(1,893)	(1,749)
Net current assets		19,604	19,059
Creditors: amounts falling due after more than one year	9	(19,006)	(18,566)
Net assets		598	493
Capital and reserves			
Called up share capital	10	2	2
Share premium account	11	148	148
Profit and loss account	11	448	343
Total shareholder's funds	11	598	493

The financial statements on pages 5 to 14 were approved by the board on **31 MARCH** 2008 and signed on its behalf by



Director

Cruciform Services Limited

Notes to the financial statements for the year ended 31 December 2007

1 Principal accounting policies

A summary of the company's principal accounting policies, which have been consistently applied, is set out below

Basis of preparation of accounts

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards in the United Kingdom

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 – Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements

Financial asset – contract debtor

In accordance with Financial Reporting Standard 5 - Application Note F, the costs incurred in building the facility have been treated as a finance debtor

This treatment arose from applying the guidance within the Application Note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer

The contract receivable represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis equal to the interest expense of the operator and capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the client the contract receivable was reclassified as a finance debtor, with a constant proportion of the planned net revenue arising from the project being allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company qualifies as a small entity as defined in sections 247 and 247a of the Companies Act 1985

Cruciform Services Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Principal accounting policies (continued)

Deferred taxation

Deferred tax 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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

2 Operating profit

The company had no employees, other than the directors, during the year (2006: none). The remuneration of the directors is paid by the controlling parties and their services to the company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the controlling parties. The controlling parties charged £nil (2006: £nil) to the company in respect of these services. The audit fee in respect of the company was £7,500 for the year (2006: £7,500).

3 Interest receivable and similar income

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Imputed interest receivable on finance debtor	1,488	1,495
Interest receivable on bank deposits	228	170
	1,716	1,665

4 Interest payable and similar charges

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Interest payable on senior debt	950	991
Interest payable on subordinated debt	706	670
	1,656	1,661

Cruciform Services Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

5 Tax on profit on ordinary activities

(a) Analysis of charge for the year

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Current tax		
UK corporation tax on profits of the period	44	9
Tax on profit on ordinary activities	44	9

(b) Factors affecting current tax charge

The tax assessed for the year is at the standard rate of corporation tax in the UK of 30% (2006 at 30%) The differences are explained below

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Profit on ordinary activities before taxation	149	29
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	44	9
Current tax charge for the year	44	9

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Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Debtors: amounts falling due within one year

	31 December 2007	31 December 2006
	£'000	£'000
Trade debtors	336	151
Finance debtor	152	101
Prepayments and accrued income	284	296
	772	548

7 Debtors: amounts falling due after more than one year

	31 December 2007	31 December 2006
	£'000	£'000
Finance debtor	15,801	15,953

The finance receivable asset includes net finance costs up to the date of completion of £1,336,000 (2006 , £1,336,000) and is stated net of capital contributions of £15,815,000 (2006 £15,815,000) from University College London

8 Creditors: amounts falling due within one year

	31 December 2007	31 December 2006
	£'000	£'000
Senior debt	574	529
Subordinated debt	569	398
Trade creditors	247	170
Corporation tax payable	53	9
VAT payable	114	109
Accruals and deferred income	336	534
	1,893	1,749

Cruciform Services Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Creditors: amounts falling due after more than one year

a) Total	31 December 2007	31 December 2006
	£'000	£'000
Senior debt	10,619	11,193
Subordinated debt	4,842	4,330
Deferred income	3,545	3,043
	19,006	18,566
b) Debt	31 December 2007	31 December 2006
	£'000	£'000
Senior debt	11,193	11,722
Subordinated debt	5,411	4,728
	16,604	16,450
Less included in creditors falling due within one year	(1,143)	(927)
	15,461	15,523
c) Maturity of debt:	31 December 2007	31 December 2006
	£'000	£'000
Less than one year	1,143	927
Between one and two years	1,076	943
Between two and five years	3,941	3,397
In more than five years	10,444	11,183
	16,604	16,450
Less amounts falling due within one year	(1,143)	(927)
	15,461	15,523

Cruciform Services Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Creditors: amounts falling due after more than one year (continued)

Senior debt

The senior debt is repayable in 40 semi-annual instalments commencing on 1 April 2000 and interest is calculated at a fixed rate of 8.285% per annum. Interest is calculated monthly in arrears up to and including 1 October 1999 and thereafter is calculated six monthly in arrears.

The loan is secured under a debenture deed. Under the terms of the debenture, the finance provider has security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties held by the company and buildings and fixtures on those properties. The finance provider also has security over all other assets of the company by way of fixed and floating charges.

Unsecured subordinated debt

The subordinated debt is due and payable when sufficient funds are generated to enable repayment. Interest on the debt is fixed at a rate of 14% per annum. The final repayment date is 31 August 2024.

10 Called up share capital

	31 December 2007 £'000	31 December 2006 £'000
Authorised		
150,000 Ordinary shares of £0.01 each	2	2
Allotted, called up and fully paid		
150,000 Ordinary shares of £0.01 each	2	2

11 Reconciliation of total shareholder's funds and movement on reserves

	Share capital £'000	Share premium account £'000	Profit & loss account £'000	Total shareholder's funds £'000
At 1 January 2007	2	148	343	493
Profit for the year	-	-	105	105
At 31 December 2007	2	148	448	598

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Notes to the financial statements for the year ended 31 December 2007 (continued)

12 Related party disclosures

The following information is provided in accordance with Financial Reporting Standard No 8 – 'Related Party Transactions' as being transactions with related parties for the period

Year ended 31 December 2007

Name of related party	Relationship	Type of transaction	Transactions in the year	Balance due at year end
			£	£
Trillium PPP UK Limited (formerly SMIF UK Limited)	Subsidiary undertaking of controlling party	Interest on subordinated loan notes	(258,133)	-
Trillium Asset Management Limited	Subsidiary undertaking of controlling party	Management fee	(59,566)	(18,200)
PFI Investments Ltd	Subsidiary undertaking of controlling party	Interest on subordinated loan notes	(448,022)	-
PFI Investments Ltd	Subsidiary undertaking of controlling party	Subordinated loan notes	-	(5,410,726)

Year ended 31 December 2006

Name of related party	Relationship	Type of transaction	Transactions in the year	Balance due at year end
			£	£
PFI Investments Ltd	Subsidiary undertaking of controlling party	Subordinated loan notes	-	(2,363,816)
PFI Investments Ltd	Subsidiary undertaking of controlling party	Interest on subordinated loan notes	(334,837)	-
Trillium Asset Management Limited	Subsidiary undertaking of controlling party	Management fee	(60,822)	-
Trillium PPP UK Limited (formerly SMIF UK Limited)	Subsidiary undertaking of controlling party	Subordinated loan notes	-	(2,363,816)
Trillium PPP UK Limited (formerly SMIF UK Limited)	Subsidiary undertaking of controlling party	Interest on subordinated loan notes	(334,837)	-

Cruciform Services Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is PFI Investments Limited, which is registered in England and Wales. The ultimate parent undertaking and ultimate controlling party, at the year end, was Land Securities Group PLC, a company incorporated in England and Wales.

On 2 February 2007, the ultimate controlling party became Land Securities Group PLC, when LST SMIF Limited Partnership acting through its general partner, LST SMIF Partnership GP Limited, purchased the entire issued share capital of Trillium Investments Luxembourg Sarl (formerly Starsmif Investments Luxembourg Sarl), the former ultimate parent undertaking. The ultimate controlling party of LST SMIF Limited Partnership and LST SMIF Partnership GP Limited is Land Securities Group PLC.

On 31 October 2007, Trillium PPP UK Limited transferred its shares in PFI Investments Limited to Trillium Investment Partners Limited, and in turn Trillium PPP Investment Partners LP, acting through its general partner Trillium PPP Investment Partners GP Limited. On 14 December 2007 Land Securities Group PLC disposed of 40.2% of its interest in Trillium PPP Investment Partners LP, on 31 January 2008 it disposed of a further 11.496% of its interest and on 14 March 2008 it disposed of a further 38.3% and as a result ceased to be the ultimate parent undertaking and ultimate controlling party. The company considers that Trillium PPP Investment Partners LP became the ultimate parent undertaking and ultimate controlling party at this date.