

Newcastle Estate Partnership Holdings Limited

Directors' report and consolidated accounts

31 December 2006

Registered number 3473715

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COMPANIES HOUSE

Newcastle Estate Partnership Holdings Limited

Directors

GM Adams
M McGhee
P Parry
RHC Rees

Secretary

CL Fidler

Registered Office

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

Auditors

KPMG Audit Plc
Chartered Accountants
St James' Square
Manchester
M2 6DS

Newcastle Estate Partnership Holdings Limited

Directors' Report

Business review

The company's principal activity is property investment and management

In 1998, the group entered into an agreement with the Secretary of State for Social Security providing inter alia for the company to redevelop the Newcastle Estate and for Inland Revenue/DSS (now Her Majesty's Revenue and Customs) to enter into a series of 25 year occupational leases with the company under the Government's PFI initiative. A Credit Facility Agreement has been entered into with The Royal Bank of Scotland plc to provide funding for the company's activities

The group made a loss after taxation for the year of £649,000 (2005 £362,000) and did not pay a dividend in the year (2005 £Nil)

Development and performance of the business

The company's financial performance was in accordance with expectations in the year

In operational terms 2006 was another year of consistently high performance scores with zero remission, full availability and no formal customer complaints. The final buildings in the redevelopment were completed in 2004 and in 2006 final phase of external works was completed on programme

Principal risks and uncertainties

The principal risks faced by the group are as follows

- Continued Availability of the buildings comprising the Newcastle Estate thus protecting the company's income stream
- Operational performance of the completed buildings
- Adequacy of the long-term Maintenance Reserve Fund

KPIs

The key performance indicators used within the business are

- Profit before tax
- Performance compared with budget and the financial model
- IRR and future profit forecasts as projected by the financial model

Directors

The current directors are listed on page 1

The directors who served during the year were as follows

GM Adams
M McGhee
P Parry
RHC Rees

Third party indemnity provisions

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Newcastle Estate Partnership Holdings Limited

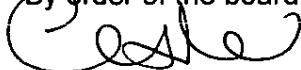
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

KPMG Audit Plc will not be seeking reappointment for the forthcoming year

By order of the board



CL FIDLER
Secretary

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

Newcastle Estate Partnership Holdings Limited

Consolidated profit and loss account for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover	2	32,196	31,290
Cost of sales		(13,916)	(13,173)
Gross profit		18,280	18,117
Administrative expenses		(391)	(365)
Operating profit	4	17,889	17,752
Interest receivable		549	483
Interest payable	5	(19,087)	(18,597)
Loss on ordinary activities before taxation		(649)	(362)
Taxation on loss on ordinary activities	6	-	-
Loss for the year		(649)	(362)

All turnover and operating profit is derived from continuing operations

There is no difference between the retained loss for the year as stated above and its historical cost equivalent

Statement of total recognised gains and losses for the year ended 31 December 2006

There are no recognised gains or losses during the current or preceding financial years other than the retained loss for the year stated above

Reconciliation of movement in shareholders' funds for the year ended 31 December 2006

	2006 £000	2005 £000
Loss for the year	(649)	(362)
Net reduction to shareholders' funds	(649)	(362)
Shareholders' funds as at 1 January	(6,376)	(6,014)
Shareholders' funds as at 31 December	(7,025)	(6,376)

Newcastle Estate Partnership Holdings Limited

Consolidated balance sheet as at 31 December 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
FIXED ASSETS					
Tangible fixed assets	8		230,391		235,732
CURRENT ASSETS					
Debtors	10	328		128	
Cash at bank and in hand		29,951		27,980	
		30,279		28,108	
CREDITORS amounts falling due within one year	11	(8,457)		(9,279)	
NET CURRENT ASSETS			21,822		18,829
TOTAL ASSETS LESS CURRENT LIABILITIES			252,213		254,561
CREDITORS: amounts falling due after more than one year	12		(259,238)		(260,937)
PROVISIONS FOR LIABILITIES AND CHARGES	14		-		-
NET LIABILITIES			(7,025)		(6,376)
CAPITAL AND RESERVES					
Share capital	15,16		1,000		1,000
Profit and loss account	16		(8,025)		(7,376)
SHAREHOLDERS' FUNDS			(7,025)		(6,376)

These accounts were approved by the board of directors on 12 NOVEMBER 2007 and were signed on its behalf by



P PARRY
DIRECTOR



RHC REES
DIRECTOR

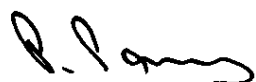
The notes on pages 8 to 13 form part of these accounts

Newcastle Estate Partnership Holdings Limited

Company balance sheet as at 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
FIXED ASSETS			
Investments in subsidiary undertakings	9	<u>1,000</u>	<u>1,000</u>
CAPITAL AND RESERVES			
Share capital	15	<u>1,000</u>	<u>1,000</u>

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P PARRY
DIRECTOR

RHC REES
DIRECTOR



The notes on pages 8 to 13 form part of these accounts

Newcastle Estate Partnership Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Net cashflow from operating activities	17	23,192	19,734
Interest received		549	483
Interest paid		(19,087)	(18,597)
Capital expenditure			
Purchase of fixed assets		-	-
Net cashflow before financing		<u>4,654</u>	<u>1,620</u>
Financing			
Net movement in loans		(2,683)	1,969
Movement in cash	18	<u>1,971</u>	<u>3,589</u>

Newcastle Estate Partnership Holdings Limited

Notes to the accounts

1 ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985 and have been consistently applied

Basis of preparation

The directors have taken advantage of the exemption in FRS 8 "Related party transactions", paragraph 3(c) and have not disclosed related party transactions with parent and fellow subsidiary undertakings

The accounts have been prepared on a going concern basis which the directors believe to be appropriate since the group has a 25 year bank loan which provides funding up to £255.3 million to meet the costs of redeveloping the Newcastle Estate. At 31 December 2006, the company had utilised £220 million of this facility. The loan is repayable in semi-annual instalments over the period January 2003 to June 2028.

Basis of consolidation

The consolidated accounts include the accounts of the company and its subsidiary undertaking made up to 31 December 2006.

Under Section 230 (4) of the Companies Act 1985, the company is exempt from the requirement of presenting its own profit and loss account.

Leases

Operating leases are charged to the profit and loss account in the year in which they are incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost which comprises purchase cost together with any incidental costs of acquisition. Depreciation is calculated by reference to the expected lives of the assets concerned and is applied on an annuity basis to match the depreciation charge to the revenues generated by the assets.

Depreciation is not charged on assets in the course of construction.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between 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 date, except as otherwise required by FRS19 "Deferred tax".

Turnover

Turnover comprises rental income and other amounts invoiced before Value Added Tax.

Newcastle Estate Partnership Holdings Limited

Notes to the accounts (*continued*)

2 TURNOVER

A geographical analysis of turnover is as follows

	2006 £000	2005 £000
United Kingdom	<u>32,196</u>	<u>31,290</u>

3 DIRECTORS' REMUNERATION

None of the directors received any remuneration in respect of their services to the company (2005 £Nil)

4 OPERATING PROFIT

	2006 £000	2005 £000
Operating profit is stated after charging		
Depreciation	<u>5,341</u>	<u>4,987</u>

	2006 £000	2005 £000
Auditor remuneration		
Audit of these financial statements	<u>2</u>	<u>2</u>

5 INTEREST PAYABLE

	2006 £000	2005 £000
Bank loans and overdrafts	15,354	15,381
Other loans	3,615	3,098
Amortisation of issue costs	<u>118</u>	<u>118</u>
	<u>19,087</u>	<u>18,597</u>

6 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
Current tax		
UK corporation tax at 30% (2005 30%)	<u>-</u>	<u>-</u>

The current tax credit for the year is lower than the standard rate of corporation tax in the UK and is explained as follows

	2006 £000	2005 £000
Loss on ordinary activities before taxation	<u>(649)</u>	<u>(362)</u>
Tax credit at 30%	(195)	(109)
Non deductible expenses / non taxable income	373	-
Tax losses not utilised	<u>(178)</u>	<u>109</u>
Current tax credit for the year	<u>-</u>	<u>-</u>

Newcastle Estate Partnership Holdings Limited

Notes to the accounts (*continued*)

7 PROFIT OF HOLDING COMPANY

The profit dealt with in the accounts of the parent company was £Nil (2005 £Nil)

8 TANGIBLE FIXED ASSETS

Group	Leasehold Land and Buildings £000	Plant and Equipment £000	Total £000
Cost			
As at 1 January and 31 December 2006	176,380	81,047	257,427
Depreciation			
As at 1 January 2006	14,719	6,976	21,695
Charge for the year	3,655	1,686	5,341
As at 31 December 2006	18,374	8,662	27,036
Net Book Value			
As at 31 December 2006	158,006	72,385	230,391
As at 1 January 2006	161,661	74,071	235,732

9 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Company	2006 £000	2005 £000
Cost		
The Newcastle Estate Partnership Limited	1,000	1,000

Details of holdings in subsidiary undertakings are as follows

Name of Company	Country of Registration	Holding	Proportion of voting rights and shares held	Nature of Business
The Newcastle Estate Partnership Limited	England	Ordinary shares	100%	Property Investment

There is a charge on the shares in favour of Royal Bank of Scotland, as agent of the funders

10 DEBTORS

Group	2006 £000	2005 £000
Trade debtors	328	128

Newcastle Estate Partnership Holdings Limited

Notes to the accounts (*continued*)

11 CREDITORS : amounts falling due within one year Group

	2006 £000	2005 £000
Bank loans (note 13)	4,974	4,308
Trade creditors	749	251
Other creditors and accruals	2,734	4,720
	<u>8,457</u>	<u>9,279</u>

12 CREDITORS : amounts falling due after more than one year Group

	2006 £000	2005 £000
Bank loans (note 13)	215,371	218,720
Trade creditors	18,645	20,209
Amounts owed to related parties	15,000	15,000
Other creditors and accruals	10,222	7,008
	<u>259,238</u>	<u>260,937</u>

13 MATURITY OF DEBT REPAYABLE BY INSTALMENTS Group

	2006 £000	2005 £000
Less than one year	4,974	4,308
Between 2 and 5 years	28,234	24,823
Over 5 years	187,137	193,897
	<u>220,345</u>	<u>223,028</u>

The bank loans, which are for a term of 25 years, provides funding up to £255.3million to meet the costs of redeveloping the Newcastle Estate. Funds can be drawn under the facility until the completion of the redevelopment in 2006. The loan is repayable in semi-annual instalments over the period January 2003 to June 2028. The bank loan is secured by a fixed and floating charge over the assets of The Newcastle Estate Partnership Holdings Limited and subsidiary undertakings.

The Newcastle Estate Partnership Limited entered into an interest rate swap agreement to fix interest costs payable at a rate (including margin) of 6.84%. Interest on the loan is payable quarterly.

Newcastle Estate Partnership Holdings Limited

Notes to the accounts (*continued*)

14 PROVISIONS FOR LIABILITIES AND CHARGES

There is a deferred tax asset of £395,000 (2005 £1,492,000) relating to tax losses carried forward. These losses are not expected to be utilised in the foreseeable future and therefore no deferred tax has been recognised in respect of this amount.

15 SHARE CAPITAL

	2006 number	2005 number	Allotted, called up and fully paid 2006 £000	2005 £000
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000</u>	<u>1,000</u>

The share capital is divided 500,000 'A', 200,000 'B' shares, 250,000 'C' shares and 50,000 'D' shares. Each class of shares carry equal rights to voting, equal dividend entitlements and equal rights to the repayment of paid up share capital and any surplus assets in the event of the company winding up.

The shares are owned as follows	£000
'A' Shares AMEC Investments Limited	500
'B' Shares Interservefm Limited	200
'C' Shares SMIF UK Limited	250
'D' Shares SMIF UK Limited	50
	<u>1,000</u>

16 RESERVES

	Share capital £000	Profit and loss account £000	2006 Total £000
As at 1 January 2006	1,000	(7,376)	(6,376)
Retained loss for the year	-	(649)	(649)
As at 31 December 2006	<u>1,000</u>	<u>(8,025)</u>	<u>(7,025)</u>

17 RECONCILIATION OF TOTAL OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £000	2005 £000
Operating profit	17,889	17,752
Depreciation	5,341	4,987
(Increase)/decrease in debtors	(200)	82
Increase/(decrease) in creditors	162	(3,087)
Net cash flow from operating activities	<u>23,192</u>	<u>19,734</u>

Newcastle Estate Partnership Holdings Limited

Notes to the accounts *(continued)*

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2006	2005
	£000	£000
Movement in cash	1,971	3,589
Cash flow from movement in debt	2,683	(1,969)
Change in net debt resulting from cashflows	<u>4,654</u>	<u>1,620</u>

19 ANALYSIS OF NET DEBT

	2006	2005
	£000	£000
Cash at bank and in hand	29,951	27,980
Debt due in less than one year	(4,974)	(4,308)
Related party loan	(15,000)	(15,000)
Debt due after more than one year	(215,371)	(218,720)
Net debt	<u>(205,394)</u>	<u>(210,048)</u>

20 RELATED PARTY TRANSACTIONS

The group has entered into facilities provision contracts with Interserve (Facilities Management) Limited, a subsidiary of a shareholder in the parent company, and property agreements and development contracts with AMEC Investments Limited, a shareholder in the parent company, in respect of the redevelopment of the Newcastle Estate

During the year, Interserve (Facilities Management) Limited invoiced the group £5,304,000 (2005 £4,806,000) and AMEC Investments Limited invoiced £7,268,000 (2005 £11,004,667). At the year end, £555,000 (2005 £239,736) was owed to Interserve (Facilities Management) Limited and £25,000 (2005 £30,436) was owed to AMEC Investments Limited

The shareholders of Newcastle Estate Partnership Holdings Limited have made loans to the group as follows

	2006	2005
	£000	£000
Balance of shareholder loans as at 31 December		
AMEC plc	<u>15,000</u>	<u>15,000</u>
Interest payable in the period		
AMEC plc	<u>3,615</u>	<u>3,098</u>

AMEC plc is the ultimate parent company of AMEC Investments Limited

Newcastle Estate Partnership Holdings Limited

Statement of directors' responsibilities in respect of the directors' report and the accounts

The directors are responsible for preparing the directors' report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with UK accounting standards.

The accounts 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 for that year.

In preparing those accounts, 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 accounts 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 company and to prevent and detect fraud and other irregularities.

Newcastle Estate Partnership Holdings Limited

Independent Auditor's report to the members of Newcastle Estate Partnership Holdings Limited

We have audited the accounts of Newcastle Estate Partnership Holdings Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These accounts 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 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' responsibilities for preparing the accounts in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 14.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts 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 accounts.

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group and 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 accounts 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 accounts.

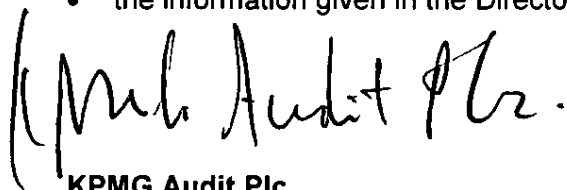
Newcastle Estate Partnership Holdings Limited

Independent auditors' report to the members of Newcastle Estate Partnership Holdings Limited (*continued*)

Opinion

In our opinion

- the accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company and group's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts



KPMG Audit Plc
Chartered Accountants
Registered Auditor

12/11/2007