

**Report of the Directors and
Financial Statements
for the year ended 31 December 2006
for
Narville Limited**



Narville Limited

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Narville Limited

Company Information for the year ended 31 December 2006

DIRECTORS.

T Duncan
G J Frost
M J Gregory

SECRETARY:

N D Lewis

REGISTERED OFFICE:

Level 15
Aldermanbury Square
London
EC2V 7HR

REGISTERED NUMBER.

03870116

AUDITORS:

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Narville Limited

Report of the Directors for the year ended 31 December 2006

The directors present their report with the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a limited partner to a limited partnership which is a lessor and manager of the serviced premises

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

Both the level of business and the period end financial position were in line with budgets and expectations. The project is now complete and from this point the company is expected to trade profitably.

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the companies act 1985

DIVIDENDS

The profit for the financial period of £7,380 (2005 £129) has been transferred to reserves. The directors do not recommend the payment of a dividend (2005 paid £Nil)

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2006 to the date of this report

T Duncan
G J Frost
M J Gregory

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 these 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 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.

Narville Limited

Report of the Directors for the year ended 31 December 2006

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

AUDITORS

The auditors, Deloitte & Touche LLP, were appointed on 10 October 2006 and have indicated their willingness to continue in office and therefore in accordance with the elective regime passed by the company they are deemed to have been reappointed

ON BEHALF OF THE BOARD:



M J Gregory - Director

30 October 2007

Report of the Independent Auditors to the Shareholders of Narville Limited

We have audited the financial statements of Narville Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 12. 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

The directors' responsibilities for preparing the financial statements in accordance with 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).

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 Report of the Directors 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 Report of the Directors 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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 Report of the Directors is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Date 31 October 2007

Narville Limited

Profit and Loss Account for the year ended 31 December 2006

	Notes	2006 £	2005 £
TURNOVER		-	-
OPERATING PROFIT	3	-	-
Income from participating interests	4	10,656	184
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,656	184
Tax on profit on ordinary activities	5	(3,276)	(55)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		7,380	129

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

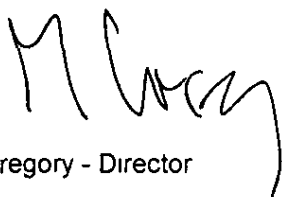
The company has no recognised gains or losses other than the profits for the current year or previous year

Narville Limited

Balance Sheet 31 December 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Investments	6	10	10
CURRENT ASSETS			
Debtors	7	35,121	24,464
TOTAL ASSETS LESS CURRENT LIABILITIES		35,131	24,474
PROVISIONS FOR LIABILITIES	8	(14,429)	(11,152)
NET ASSETS		<u>20,702</u>	<u>13,322</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	20,701	13,321
SHAREHOLDERS' FUNDS	12	<u>20,702</u>	<u>13,322</u>

The financial statements were approved by the Board of Directors on 30 October 2007 and were signed on its behalf by



M J Gregory - Director

Narville Limited

Notes to the Financial Statements for the year ended 31 December 2006

1 ACCOUNTING POLICIES

Accounting convention

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

Taxation

Current tax, including United Kingdom Corporation 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

Investments

Investments are stated at cost less any provision for any impairment in value

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Babcock & Brown Public Partnerships Limited and is therefore included in its consolidated financial statements which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Babcock & Brown Public Partnerships Limited Group

Going Concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future

2 STAFF COSTS

There were no staff and no staff costs for the year ended 31 December 2006 nor for the year ended 31 December 2005

3 OPERATING PROFIT

The Directors received no salary, fees or other benefits in the performance of their duties in respect of their services to the company

Auditors' remuneration was borne by another group undertaking amounting to £2,500 (2005 £2,500)

4 INCOME FROM PARTICIPATING INTERESTS

Income from participating interests represents Narville Limited's share of the results of the Norfolk Limited Partnership for the year

Narville Limited

Notes to the Financial Statements - continued for the year ended 31 December 2006

5 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2006 £	2005 £
Deferred tax	3,276	55
Tax on profit on ordinary activities	<u>3,276</u>	<u>55</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2006 £	2005 £
Profit on ordinary activities before tax	<u>10,656</u>	<u>184</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	3,197	55
Effects of		
Accelerated capital allowances	(3,321)	-
Utilisation of tax losses brought forward	-	(55)
Expenses not deductible for tax purposes	115	-
Other	9	-
Current tax charge	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The effective tax rate will continue to be affected by the utilisation of brought forward tax losses and disallowed capital allowances

The company has £Nil (2005 19,040) of tax losses available to carry forward

6 FIXED ASSET INVESTMENTS

	Interest in other participating interests £
COST	
At 1 January 2006 and 31 December 2006	<u>10</u>
NET BOOK VALUE	
At 31 December 2006	<u>10</u>
At 31 December 2005	<u>10</u>

Narville Limited

Notes to the Financial Statements - continued for the year ended 31 December 2006

6 FIXED ASSET INVESTMENTS - continued

The company has invested in Norfolk Limited Partnership through the pledge of £10 to the capital account of the limited partnership which has a total pledged capital of £1,000. The company is entitled to a 1% share of the net income or losses and a 0.01% share of any capital gains or losses of the limited partnership, and has no control over the operating decisions of the limited partnership.

Norfolk Limited Partnership is a lessor and manager of the serviced premises.

7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Amounts owed by group undertakings	35,120	24,463
Called up share capital not paid	1	1
	<u>35,121</u>	<u>24,464</u>

The amounts owned by group undertaking represents the Company share of the Limited Partnership profits amounting to £35,130, less unpaid partnership capital of £10.

8 PROVISIONS FOR LIABILITIES

	2006 £	2005 £
Deferred tax	<u>14,429</u>	<u>11,152</u>
		Deferred tax £
Balance at 1 January 2006		11,152
Accelerated capital allowances		3,321
Accelerated Interest Deduct		(9)
Prior Year Adjustment		<u>(35)</u>
Balance at 31 December 2006		<u>14,429</u>

Deferred tax liability consists of

	2005 £	2004 £
Accelerated capital allowances	10,542	13,251
Tax Losses	-	(6,003)
Accelerated interest Deduction	<u>3,887</u>	<u>3,904</u>
	<u>14,429</u>	<u>11,152</u>

Narville Limited

Notes to the Financial Statements - continued for the year ended 31 December 2006

9 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value £1	2006 £	2005 £
1,000	Ordinary		<u>1,000</u>	<u>1,000</u>

Allotted and issued Number	Class	Nominal value £1	2006 £	2005 £
1	Ordinary		<u>1</u>	<u>1</u>

10 RESERVES

	Profit and loss account £
At 1 January 2006	13,321
Profit for the year	<u>7,380</u>
At 31 December 2006	<u>20,701</u>

11 ULTIMATE CONTROLLING PARTY

The directors regard Babcock & Babcock PFI Holdings Limited, a company incorporated in England and Wales as the immediate parent company and Babcock & Brown Public Partnerships Limited a company registered in Guernsey as the ultimate controlling party. Copies of the consolidated financial statements of Babcock & Brown Public Partnerships Limited can be obtained from Heritage International Fund Managers Limited, Polygon Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey GY1 4HY.

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	<u>7,380</u>	<u>129</u>
Net addition to shareholders' funds	7,380	129
Opening shareholders' funds	<u>13,322</u>	<u>13,193</u>
Closing shareholders' funds	<u>20,702</u>	<u>13,322</u>