# D4E Mulberry Limited

Directors' Report and Financial Statements for the year ended 30 September 2005

Registered Number 04367731

# Directors' Report and Financial Statements

## Contents

## Directors' report

The directors present their report and audited accounts for the year ended 30 September 2005.

## Principal activity

D4E Mulberry Limited was formed to design, construct and refurbish, and to provide lifecycle maintenance and facilities management services to the Mulberry Girls School in the London Borough of Tower Hamlets for a period of 27 years. The partnership with the London Borough of Tower Hamlets has been procured under the government's Public Private Partnership initiative.

## Review of business and future developments

The business consists of the rebuilding of a substantial part, and refurbishment of the remainder, of the Mulberry Girls School in the London Borough of Tower Hamlets. The business involves consolidating the current school and sixth form college from two separate sites to a single site, allowing disposal of a surplus site and providing additional leisure facilities to the predominantly Bangladeshi all girls school.

This year marked the first full operational period of the project with building works having been completed last year. The operational phase entails the successful operation of the buildings to ensure use of the building can be achieved in compliance with the 25 year contract for its use by the client, London Borough of Tower Hamlets.

During the year, the company issued £1,398,000 of unsecured loan notes 2027 to its parent company, D4E Mulberry (Holdings) Limited. On 30 September 2005 £452,952 of the notes were redeemed, leaving £945,048 outstanding at the year end.

## Results and dividends

D4E Mulberry Limited's profit/(loss) for the financial year is £33,011, (2004 – (£25,084) loss). The directors do not recommend the payment of a dividend.

## Directors and their interests

The directors who held office during the year are given below:

| | |
|---|---|
| MS Amin | (Resigned 20 October 2004) |
| M Baxter | (Appointed 7 June 2004, Resigned 5 November 2005) |
| GJ Hutt | (Appointed 25 July 2003, Resigned 29 October 2004) |
| J Lightfoot | (Appointed 29 October 2004) |
| IA MacDonald | (Resigned 25 May 2005) |
| P McVey | (Resigned 5 November 2005) |
| M Smith | (Appointed 20 October 2004) |
| K Gillespie | (Appointed 25 April 2005) |
| A Scott | (Appointed 7 June 2004, Resigned 5 November 2005) |

None of the directors had any interest in D4E Mulberry Limited or the group.

## 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 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 company and to prevent and detect fraud and other irregularities.

## Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the following Annual General Meeting.

By order of the board

SLBooker

S L Booker
Company Secretary
2nd August 2006

## Independent auditors' report to the members of D4E Mulberry Limited

We have audited the financial statements on pages 4 to 13.

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 company 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 the company's affairs as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Edinburgh

4 August 2006

## Profit and Loss Account

*for the year ended 30 September 2005*

| | Note | **12 months to 30 September 2005 £** | 12 months to 30 September 2004 £ |
|---|---|---|---|
| **Turnover** | | **1,299,296** | 7,159,110 |
| Cost of Sales | | **(710,693)** | (7,074,450) |
| **Gross Profit** | | **588,603** | 84,660 |
| Administrative expenses | 2 | **(350,383)** | (268,767) |
| **Operating Profit /(Loss)** | 2 | **238,220** | (184,107) |
| Interest receivable | | **56,549** | 32,787 |
| Interest receivable re Finance Debtor | | **635,206** | 56,123 |
| Interest payable | 4 | **(838,413)** | (114,106) |
| **Profit /(Loss) on ordinary activities before tax** | | **91,562** | (209,303) |
| Tax on Profit /(Loss) on ordinary activities | 5 | **(58,551)** | 184,219 |
| **Profit /(Loss) for the financial year** | 11 | **33,011** | (25,084) |

There are no recognised gains or losses other than the profit/(loss) for the year of £33,011 (2004 – (£25,084) Loss).

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

The notes on pages 6 to 13 form part of these financial statements.

# Balance sheet
*at 30 September 2005*

| | Note | 2005 £ | 2004 £ |
|---|---|---|---|
| **Current assets** | | | |
| Debtors due within one year | 6 | **193,579** | 2,303,444 |
| Debtors due after more than one year | 6 | **6,356,094** | 6,447,212 |
| Cash at bank and in hand | | **1,032,693** | 1,259,612 |
| | | **7,582,366** | 10,010,268 |
| **Creditors**: amounts falling due within one year | 7 | **(863,641)** | (4,940,154) |
| **Total assets less current liabilities** | | **6,718,725** | 5,070,114 |
| **Creditors:** amounts falling due after more than one year | 8 | **(9,168,029)** | (7,674,011) |
| **Provisions for liabilities & charges** | 9 | **(121,582)** | - |
| **Net liabilities** | | **(2,570,886)** | (2,603,897) |
| **Capital and reserves** | | | |
| Called up share capital | 10 | **1,500** | 1,500 |
| Profit and loss account | 11 | **(2,572,386)** | (2,605,397) |
| **Total equity shareholder deficit** | 11 | **(2,570,886)** | (2,603,897) |

The accounts were approved by the board of directors on 2nd August 2006 and are signed on its behalf by:

J Lightfoot
Director

## Notes – 30 September 2005
(forming part of the accounts)

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's accounts.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

The accounts have been prepared under the historical cost accounting rules. The accounts have been prepared on the going concern basis as the financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

***Cash flow statement***

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement on the grounds of its size.

***Turnover***

Turnover recognised represents the value of work done on long term contracts and the amounts derived (excluding VAT) from provision of services to customers.

***Taxation***

The charge for taxation is based on the Profit/(Loss) 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.

***Capital instruments***

Shares are included in shareholder funds. Other debt instruments, which contain an obligation to repay, are classified as liabilities. The finance cost recognised in the profit and loss account in respect of capital instruments other than shares is allocated to periods over the operating life of the instrument to which they relate at a constant rate on the carrying amount.

***Finance Debtor***

Costs incurred in the construction of the school 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 principle 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.

## Notes – 30 September 2005
(forming part of the 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.

**2. Operating Profit**

| | **12 months to 30 September 2005 £** | 12 months to 30 September 2004 £ |
|---|---|---|
| *Operating Profit is stated after charging :* | | |
| Audit fees | **6,250** | 5,750 |
| Non-audit fees | **6,000** | 6,000 |

During the year, the company did not directly employ any staff. Turnover arises from one activity and arises wholly in the UK.

**3. Directors' remuneration**

The directors did not receive any remuneration from the company during the year.

**4. Interest payable and similar charges**

| | **12 months to 30 September 2005 £** | 12 months to 30 September 2004 £ |
|---|---|---|
| On bank loans (excluding capitalised interest) | **838,413** | 114,106 |
| | **838,413** | 114,106 |

## Notes – 30 September 2005
(forming part of the accounts)

### 5. Taxation

Analysis of charge in year

| | **12 months to 30 September 2005 £** | 12 months to 30 September 2004 £ |
|---|---|---|
| *UK corporation tax* | | |
| Current tax credit for the year | **63,031** | 184,219 |
| Deferred Tax (see note 9) | **(121,582)** | |
| Tax on profit on ordinary activities | **(58,551)** | 184,219 |

*Factors affecting the tax charge for the current year*

The current tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

| | **12 months to 30 September 2005 £** | 12 months to 30 September 2004 £ |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit/(Loss) on ordinary activities before tax | **91,562** | **(209,303)** |
| Current tax at 30% | **(27,469)** | (62,791) |
| *Effects of:* | | |
| Tax Losses Carried Forward/(Utilised) | | 491,844 |
| Disallowable costs | | 1,633 |
| Capital allowances in excess of depreciation | **27,469** | (226,533) |
| Capitalised interest deductible in year | | (204,152) |
| Difference between losses sold and consideration received | | 122,812 |
| Consortium Relief | **(63,031)** | (307,032) |
| Total current tax credit (see above) | **(63,031)** | (184,219) |

*Factors that may affect future tax charges*

Future tax charges will be affected by availability of losses for purchase, shareholders desire to purchase tax losses, capital allowances availability and availability of future profits to utilise carried forward losses.

# Notes – 30 September 2005
(forming part of the accounts)

## 6. Debtors

| | **2005** | 2004 |
|---|---|---|
| | **£** | £ |
| *Amounts due within one year* | | |
| Finance Debtor | **106,965** | 2,224,566 |
| Other Debtors | **86,614** | 21,714 |
| VAT | **-** | 57,164 |
| | **193,579** | 2,303,444 |
| *Amounts due after one year* | | |
| Finance Debtor | **6,356,094** | 6,447,212 |
| | **6,356,094** | 6,447,212 |
| *Finance Debtor* | | |
| At beginning of the year | **8,671,778** | - |
| Additions | **15,200** | **8,682,426** |
| Repayments Received | **(2,223,919)** | **(10,648)** |
| At the end of the year | **6,463,059** | **8,671,778** |

## 7. Creditors: amounts falling due within one year

| | **2005** | 2004 |
|---|---|---|
| | **£** | £ |
| Trade creditors | **119,971** | 190,299 |
| Bank loan at fixed rate, repayable in instalments commencing September 2004 | **293,781** | 4,696,773 |
| Unsecured loan notes 2027 issued to parent company | **37,746** | - |
| VAT | **323,623** | - |
| Accruals | **88,520** | 53,082 |
| | **863,641** | 4,940,154 |

### 8. Creditors: amounts falling due after more than one year

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Wholly repayable within five years: | | |
| Bank loan at fixed rate, repayable in instalments commencing September 2004 | **1,370,979** | 1,183,638 |
| Parent Company - unsecured loan notes 2027 | **169,158** | - |
| Not wholly repayable within five years: | | |
| Bank loan at fixed rate, repayable in instalments commencing September 2004 | **7,064,742** | 6,673,700 |
| Parent Company - unsecured loan notes 2027 | **738,144** | - |
| Issue Costs | **(174,994)** | (183,327) |
| | **9,168,029** | 7,674,011 |

| The maturity of debt is as follows: | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| In one year or less or on demand | **331,527** | 4,696,773 |
| Between one and two years | **388,884** | 264,430 |
| Between two and five years | **1,151,253** | 919,208 |
| In five years or more | **7,802,886** | 6,490,373 |
| | **9,674,550** | 12,370,784 |

Bank Loans have been hedged via swaps entered into on 15 May 2002. Swaps resulted in 100% of outstanding Senior Debt being fixed.

At the year end, bank loans totalling £8,729,502 are held with the Governor and Company of the Bank of Scotland. The Governor and Company of the Bank of Scotland holds fixed and floating charges over the assets of D4E Mulberry (Holdings) Limited and D4E Mulberry Limited, assignation securities from D4E Mulberry (Holdings) Limited and D4E Mulberry Limited over D4E Mulberry Limited's right, title and interests in the Mulberry Schools Project and a deed of pledge from D4E Mulberry (Holdings) Limited in respect of shares in D4E Mulberry Limited.

During the year, a total of £1,398,000 of unsecured loan notes 2027 were issued to the company's parent company, D4E Mulberry (Holdings) Limited. On 30 September 2005, £452,952 of the notes were redeemed leaving a total of £948,048 outstanding at the year end. The notes carry interest at a fixed rate of 16% pa.

## Notes – 30 September 2005

*(forming part of the accounts)*

### 9. Provisions for liabilities and charges

**Deferred taxation:**

| | 2005 | 2004 |
|---|---|---|
| | | £ |
| At beginning of year | - | - |
| Charge to the profit and loss account | 121,582 | - |
| At end of year | 121,582 | - |

The elements of deferred tax are as follows:

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Accelerated capital allowances | 816,483 | - |
| Other timing differences | 299,076 | - |
| Losses carried forward | (993,977) | - |
| | 121,582 | - |

### 10. Share capital

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| **Authorised** | | |
| Ordinary shares of £1 each | 1,500 | 1,500 |
| **Allotted, called up and fully paid** | | |
| Ordinary shares of £1 each | 1,500 | 1,500 |

### 11. Reconciliation of shareholders' funds and movement on reserves

| | Share capital | Profit & loss account | Total shareholders funds |
|---|---|---|---|
| | £ | £ | £ |
| **At 30 September 2004** | 1,500 | (2,605,397) | (2,603,897) |
| Profit for the year | - | 33,011 | 33,011 |
| **At 30 September 2005** | 1,500 | (2,572,386) | (2,570,886) |

# Notes – 30 September 2005

*(forming part of the accounts)*

### 12. Capital commitments

There are no capital commitments (2004 - Nil) not provided in the accounts.

### 13. Other financial commitments

There were no other financial commitments as at 30 September 2005.

### 14. Transactions with related parties

During the year, D4E Mulberry Limited purchased services in the normal course of business from shareholders of the ultimate holding company D4E Mulberry (Holdings) Limited (see note 14) or their groups, in the following amounts:

| | |
|---|---|
| - Parkwood (PFI) Projects Limited | £569,954 |
| - Uberior Infrastructure Investments Limited | £691,321 |
| - Miller Construction (UK) Limited | £501,452 |

Balances due as at 30th September 2005 to shareholders of D4E Mulberry (Holdings) Limited or their groups were:

| | |
|---|---|
| - Parkwood (PFI) Projects Limited | £55,915 |
| - Uberior Infrastructure Investments Limited | £1,331 |
| - Miller Construction (UK) Limited | £56,015 |

Tax losses were sold to the shareholders of D4E Mulberry (Holdings) Limited during the year as follows;

| | Loss Sold | Price Paid |
|---|---|---|
| - Uberior Infrastructure Investments Limited | £75,138 | £45,083 |
| - Miller Construction (UK) Limited | £29,912 | £17,947 |

Balances due as at 30 September 2005 from the shareholders of D4E Mulberry (Holdings) Limited were:

| | |
|---|---|
| - Uberior Infrastructure Investments Limited | £45,083 |
| - Miller Construction (UK) Limited | £17,947 |

<u>Parkwood PFI Projects Limited</u>
During the year, D4E Mulberry Limited purchased facility management and other services from Glendale Managed Services Limited, a related party of Parkwood PFI Projects Limited. In addition Parkwood PFI Projects Limited provide general management services to D4E Mulberry Limited.

<u>Miller Construction (UK) Limited</u>
During the year, D4E Mulberry Limited purchased construction services from Miller Construction (UK) Limited. In addition Miller Construction (UK) Limited provides lifecycle and hard facilities management along with accounting and company secretarial services to D4E Mulberry Limited

<u>Uberior Infrastructure Investments Limited</u>
During the year, D4E Mulberry Limited incurred loan interest and fees payable and received interest from The Governor and Company of Bank of Scotland, a related party of Uberior Infrastructure Investments Limited.

## Notes – 30 September 2005
*(forming part of the accounts)*

### 14. Parent undertaking and ultimate controlling party

D4E Mulberry Limited is a wholly owned subsidiary of D4E Mulberry (Holdings) Limited, company number 04367735. The accounts of D4E Mulberry (Holdings) Limited can be obtained from the Registrar of Companies, Crown Way, Cardiff CF14 3UZ.

The Directors consider there to be no ultimate controlling party.