

D4E Mulberry Limited
Financial statements
For the year ended 30 September 2006



Company No. 4367731

Company information

Company registration number :	4367731
Registered office :	Parkwood House Cuerden Park Berkeley Drive Bamber Bridge Preston Lancashire PR5 6BY
Directors :	M Smith K Gillespie J Lightfoot I Gethun
Secretary :	S L Booker
Bankers :	Bank of Scotland The Mound Edinburgh EY1 1YZ
Solicitors :	Bevan Brittan LLP Kings Orchard 1 Queen Street Bristol BS2 0HQ
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB

Index to the financial statements

Report of the directors	3 – 4
Report of the independent auditors	5 – 6
Principal accounting policies	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 – 14

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 30 September 2006

Principal activity

D4E Mulberry was formed to design, construct and refurbish, and to provide lifecycle maintenance and facility 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.

Business review

There was a loss for the year after taxation of £16,269 (2005 profit £33,011). The directors do not recommend the payment of a dividend (2005 £Nil) leaving a loss of £16,269 (2005 profit of £33,011) to be transferred to reserves.

Directors

The directors of the company are listed below. All served on the Board throughout the year unless otherwise stated.

M Smith
K Gillespie
J Lightfoot
I Gethin (appointed 4 November 2005)

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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 judgments 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

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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Auditors

During the year KPMG LLP resigned as the company's auditors and Grant Thornton UK LLP were appointed to fill the casual vacancy. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD



S L Booker
Company Secretary

27 July 2007

Report of the independent auditors to the members of D4E Mulberry Limited

We have audited the financial statements of D4E Mulberry Limited for the year ended 30 September 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet and the related notes 1 to 13. 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 directors' report and financial statements in accordance with United Kingdom law and 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 of 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 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 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.

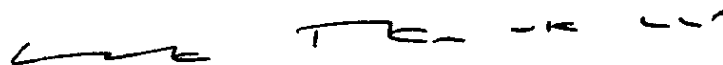
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of D4E Mulberry Limited

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 30 September 2006 and of its loss 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' reports is consistent with the financial statements



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

30 July 2007

Principal Accounting Policies

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.

The accounting policies of the company have remained unchanged from the previous year and are set out below.

Turnover

Turnover recognized represents the value of work done on long term contracts and the amounts derived (excluding VAT) from the 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 difference between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognized, 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 recognized 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.

Cash flow Statement

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

Profit and loss account

	Note	2006 £	2005 £
Turnover - continuing operations	1	1,165,764	1,299,296
Cost of Sales		(584,325)	(710,693)
Gross Profit		581,439	588,603
Administration expenses		(410,589)	(350,383)
Operating profit - continuing activities		170,850	238,220
Interest receivable		38,871	56,549
Interest receivable on finance debtor		501,052	635,206
Interest payable	2	(729,730)	(838,413)
(Loss)/profit on ordinary activities before taxation	1	(18,957)	91,562
Tax charge on (loss)/profit on ordinary activities	3	2,688	(58,551)
Retained (loss)/profit for the financial year	9	(16,269)	33,011

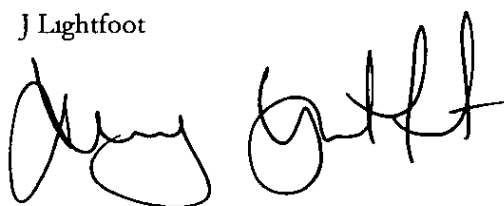
There were no recognised gains or losses other than the loss for the financial year

Balance sheet

	Note	2006 £	2005 £
Current assets			
Debtors due within one year	4	201,231	193,579
Debtors due after more than one year	4	6,253,666	6,356,094
Cash at bank and in hand		897,455	1,032,693
		<u>7,352,352</u>	<u>7,582,366</u>
Creditors: amounts falling due within one year	5	<u>(1,037,172)</u>	<u>(863,641)</u>
Total assets less current liabilities		6,315,180	6,718,725
Creditors: amounts falling due after more than one year	6	(8,783,441)	(9,168,029)
Provision for liabilities	7	<u>(118,894)</u>	<u>(121,582)</u>
Net liabilities		<u><u>(2,587,155)</u></u>	<u><u>(2,570,886)</u></u>
Capital and reserves			
Called up share capital	8	1,500	1,500
Profit and loss account	9	<u>(2,588,655)</u>	<u>(2,572,386)</u>
Shareholders' deficit	10	<u><u>(2,587,155)</u></u>	<u><u>(2,570,886)</u></u>

The financial statements were approved by the Board of Directors on 27 July 2007 and signed on their behalf by

J Lightfoot



Director

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Turnover and (loss)/profit on ordinary activities before taxation

Turnover and the (loss)/profit on ordinary activities before taxation arose in the United Kingdom from the principal activity of the company

	2006	2005
	£	£
(Loss)/profit before tax is stated after charging		
Depreciation - owned assets	-	-
Auditors' remuneration	6,250	6,250

There are no employees of the company (2005 Nil) and also Nil employee costs (2005 Nil)

The directors receive remuneration from the parent company and the allocation for their services to this company is Nil (2005 Nil)

2 Interest payable

	2006	2005
	£	£
Interest on bank loan	579,796	781,083
Interest on unsecured loan notes	149,934	57,330
	<u>729,730</u>	<u>838,413</u>

3 Tax on (loss)/profit on ordinary activities

	2006	2005
	£	£
The taxation (credit)/charge is based on the (loss)/profit for the year and represents		
Total current tax	-	(63,031)
Deferred tax (credit)/charge	(2,688)	121,582
	<u>(2,688)</u>	<u>58,551</u>

Factors affecting the tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2005 30%) The differences are explained as follows

	2006	2005
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(18,957)</u>	<u>91,562</u>
Tax on (loss)/profit on ordinary activities at standard rate	(5,687)	27,469
Expenses not deductible for tax purposes	3,000	-
Capital allowances in excess of depreciation	(101,803)	(27,469)
Increase in unused tax losses	99,556	-
Movement in short term timing differences not recognised	4,934	-
Group relief	-	63,031
Total current tax	<u>-</u>	<u>63,031</u>

4 Debtors

	2006 £	2005 £
Amounts due within one year		
Finance debtor	115,453	106,965
Amounts owed by related party undertakings	1,031	43,752
Other debtors	84,747	42,862
	<u>201,231</u>	<u>193,579</u>
Amounts due in more than one year		
Finance debtor	<u>6,253,666</u>	<u>6,356,094</u>
Finance debtor		
At 1 October 2005	6,463,059	8,671,778
Additions	12,688	15,200
Repayments received	(106,628)	(2,223,919)
At 30 September 2006	<u>6,369,119</u>	<u>6,463,059</u>

5 Creditors : amounts falling due within one year

	2006 £	2005 £
Bank loan	374,795	293,781
Unsecured Loan Notes - owed to parent undertaking	56,127	37,746
Trade creditors	104,029	64,056
VAT	44,441	323,623
Amounts owed to parent undertaking	35,522	–
Amounts owed to related party undertakings	107,623	55,915
Accruals and deferred income	314,635	88,520
	<u>1,037,172</u>	<u>863,641</u>

6 Creditors : amounts falling due after more than one year

	2006 £	2005 £
Bank loan	8,090,277	8,435,721
Unsecured loan notes - owed to parent undertaking	868,158	907,302
Issue costs	(174,994)	(174,994)
	<u>8,783,441</u>	<u>9,168,029</u>

The borrowings are repayable as follows

	2006 £	2005 £
<i>Within one year</i>		
Bank loan	374,795	293,781
Unsecured loan notes	56,127	37,746
<i>After one year and within two years</i>		
Bank loan	334,133	349,740
Unsecured loan notes	40,542	39,144
<i>After two and within five years</i>		
Bank loan	1,057,129	1,021,239
Unsecured loan notes	142,596	130,014
<i>After five years</i>		
Bank loan	6,699,015	7,064,742
Unsecured loan notes	685,020	738,144
	<u>9,389,357</u>	<u>9,674,550</u>

Bank loans have been hedged via swaps entered into on 15 May 2002. Swaps resulted in 100% of the outstanding debt being fixed.

At the year end, bank loans totalling £8,465,072 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, assignment 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 2004, a total of £1,398,000 of unsecured loan notes 2027 were issued to the company's parent company, D4E Mulberry (Holdings) Limited. During the year, a further £20,763 were redeemed leaving a total of £924,285 outstanding at the year end. The notes carry interest at a fixed rate of 16% pa.

7 Provision for liabilities

	Deferred taxation £
At 1 October 2005	121,582
Profit and loss account credit	(2,688)
At 30 September 2006	<u>118,894</u>

Provision for deferred taxation consists of the following amounts

	2006 £	2005 £
Capital allowances in excess of depreciation	918,285	816,483
Short term timing differences	294,143	299,076
Losses carried forward	(1,093,534)	(993,977)
	<u>118,894</u>	<u>121,582</u>

There is no unprovided deferred tax at 30 September 2006 (2005 Nil)

8 Share capital

	2006 £	2005 £
Authorised		
1,500 (2005 1,500) Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
Allotted, called up and fully paid		
1,500 (2005 1,500) Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>

All ordinary shares in issue have equal voting and dividend rights

9 Profit and loss account

	2006 £	2005 £
At 1 October 2005	(2,572,386)	(2,605,397)
Retained (loss)/profit for the year	<u>(16,269)</u>	<u>33,011</u>
At 30 September 2006	<u>(2,588,655)</u>	<u>(2,572,386)</u>

10 Reconciliation of movement in shareholders' deficit

	2006 £	2005 £
(Loss)/profit for the financial year	(16,269)	33,011
Shareholders' deficit at 1 October 2005	<u>(2,570,886)</u>	<u>(2,603,897)</u>
Shareholders' deficit at 30 September 2006	<u>(2,587,155)</u>	<u>(2,570,886)</u>

11 Capital commitments

	2006 £	2005 £
Contracted for but not provided in these financial statements	<u>-</u>	<u>-</u>

12 Ultimate parent undertaking

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.

13 Related party transactions

On 14 June 2006, Parkwood (PFI) Projects Limited changed its name to Parkwood Project Management Limited.

D4E Mulberry purchased services in the normal course of business from shareholders of the ultimate parent undertaking or their groups as follows:

During the year, Parkwood Project Management Limited charged project management and administration fees of £37,769 (2005 £27,100). The balance due from Parkwood Project Management Limited at 30 September 2006 amounted to £1,031 (2005 creditor £5,614).

Facility management fees were paid to Parkwood Leisure Limited, a fellow group company of Parkwood Project Management Limited, of £530,069 (2005 £534,015). The balance due to Parkwood Leisure Limited at 30 September 2006 was £103,052 (2005 £50,301).

Non executive director fees were paid in the year as follows:

- Uberior Infrastructure Investments Limited	£3,322 (2005 £3,230)
- Leisureplan Investments Limited	£1,661 (2005 £1,615)
- SMIF UK Limited	£3,358 (2005 £nil)

The balance due to Uberior Infrastructure Investments Limited at 30 September 2006 was £1,213 (2005 debtor £43,752) and to SMIF UK Limited was £3,358 (2005 £nil).

During the year interest on the subordinated loan was paid to D4E Mulberry (Holdings) Limited of £149,934 (2005 £206,518). The interest outstanding at 30 September 2006 was £35,522 (2005 £nil).