

**Company Registration No. 3001459**

**Munroe K Limited**

**Report and Financial Statements**

**30 April 2007**

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# **Munroe K Limited**

## **Report and financial statements 2007**

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# **Munroe K Limited**

## **Officers and professional advisers**

### **Directors**

D W Aspin  
C G Lintott  
P R Harding

### **Secretary**

Aldwych Secretaries Limited

### **Registered office**

6th Floor  
Aldwych House  
81 Aldwych  
London WC2B 4RP

### **Bankers**

HSBC Private Bank (UK) Limited  
78 St James's Street  
London SW1A 1JB

### **Solicitors**

Manches LLP  
Aldwych House  
81 Aldwych  
London WC2B 4RP

### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London



# Munroe K Limited

## Chairman's statement

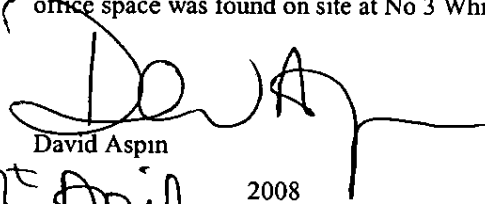
After almost twelve years of commercial property investment and development, 2007 witnessed a significant change in Munroe K's core business. A geographical shift in activities to mainland European investment and development provided the catalyst for an in depth review of the group resulting in a major group restructure.

On 15 January 2007 Munroe K sold its investment in the White Rose Office Park (WROP) to its new majority shareholder, Munroe K Luxembourg S A but formally assumed a role as development consultant with the broad reaching mandate of overseeing all aspects of the investment's development programme and continuing operations.

Until the date of the sale Munroe K enjoyed another successful year of growth and consolidation strengthening its already healthy long-term position with all but 7,000 sq ft of its 468,000 sq ft office space fully let. It also completed the development of the two new buildings at the front of the WROP site and prior to completion in August had negotiated the lease of both, building 3 to WSP and building 2 to the West Yorkshire Police Authority both for 15 year terms.

Since the sale of WROP the Company has managed the development of a new multi-story car park adjacent to the existing one and also overseen the long overdue refurbishment of the "tunnel", a vehicular thoroughway under HSBC's suites A-F. The multi-story car park was completed successfully in September 2007 whilst the tunnel project is now nearing completion.

The Company has realised for some time now that maintaining an office in London no longer served any practical purpose so with its new function of development consultant to the new owners a decision was made to move our office to Leeds. The move was a great success and office space was found on site at No 3 White Rose Office Park.



David Aspin

17<sup>th</sup> April 2008



# Munroe K Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2007

### Business review and principal activities

The principal activity of the group was that of property investment and development until 15 January 2007 when the company sold its White Rose Office Park investment to Munroe K Luxembourg S A. Since this date the company has been contracted by Munroe K Luxembourg S A to undertake the asset management of White Rose Office Park on its behalf.

Since the company sold its White Rose Office Park investment there has been a significant decrease in its trading income but it has nevertheless increased its net profit, as shown in the company's profit and loss account on page 7, to £4,562,255 (2006 – profit £895,314).

### Events occurring during the year

In 2006/2007, Munroe K Limited completed its refurbishment of the O2 and HSBC Suites as well as the development of the two new buildings at the front of its White Rose Office Park site.

On 15 January 2007 the company sold its White Rose Office Park development to its newly formed parent company Munroe K Luxembourg S A.

### Future prospects

These are discussed in the Chairman's Statement.

### Principal risks and uncertainties

The company is reliant on its parent company for its asset management fee, which is its sole source of trading income.

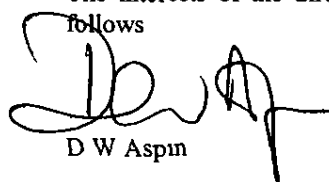
### Financial risk management policies

The company publishes its financial statements in pounds Sterling and conducts most of its business in Sterling. The company does however have one subsidiary company operating in Italy. The directors monitor the foreign exchange movement on a regular basis.

### Directors

The current directors, all of whom served throughout the year, are shown on page 1.

The interests of the directors in the issued capital of the company at 30 April 2007 were as follows:

  
D W Aspin

Ordinary £1 shares	
2007	2006
1,001	1,001

# Munroe K Limited

## Directors' report (continued)

### Disclosure of information given to auditors

Each of the persons who is a director at the date of approval of this report confirms that

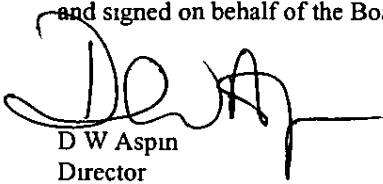
- (1) so far as the director is aware, there is no relevant audit information of which the company's directors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

### Auditors

Pursuant to Section 386 of the Companies Act 1985, the company has passed an elective resolution dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to be reappointed as auditors.

Approved by the Board of Directors  
and signed on behalf of the Board



D W Aspin  
Director

12<sup>th</sup> April 2008

## **Munroe K Limited**

### **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 these financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent, and
- (c) 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of Munroe K Limited**

We have audited the financial statements of Munroe K Limited for the year ended 30 April 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical costs profits and losses, the balance sheet, the cash flow statement and the related notes 1 to 30. 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 United Kingdom 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 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 circumstances of the company, 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 30 April 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.

*Deloitte Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London, United Kingdom

18/4/2008

## Munroe K Limited

### Profit and loss account Year ended 30 April 2007

	Notes	2007 Continuing operations	2007 Discontinued operations	2007 £	2006 £
Turnover	1, 2	200,000	4,552,214	4,752,214	7,043,173
Cost of sales		-	(286,979)	(286,979)	(230,758)
<b>Gross profit</b>		<b>200,000</b>	<b>4,265,235</b>	<b>4,465,235</b>	<b>6,812,415</b>
Administrative expenses		(94,112)	(1,634,074)	(1,728,186)	(2,620,799)
Other operating income		-	28,671	28,671	28,295
<b>Operating profit</b>	4	<b>105,888</b>	<b>2,659,832</b>	<b>2,765,720</b>	<b>4,219,911</b>
Profit on sale of investment property				3,501,180	284,105
Profit on sale of investment				-	300,000
Gain on sale of interest rate swap				2,160,000	-
Interest receivable and similar income	5			403,756	678,089
Interest payable and similar charges	6			(4,268,401)	(4,586,791)
<b>Profit on ordinary activities before taxation</b>				<b>4,562,255</b>	<b>895,314</b>
Tax on ordinary activities	7			-	-
<b>Profit for the financial year</b>	19, 20			<b>4,562,255</b>	<b>895,314</b>

The results in the prior year reflect discontinued operations

### Statement of total recognised gains and losses Year ended 30 April 2007

	2007 £	2006 £
Profit for the financial year	4,562,255	895,314
Surplus on revaluation of investment properties	-	3,348,657
<b>Total recognised gains and losses relating to the year</b>	<b>4,562,255</b>	<b>4,243,971</b>

## **Munroe K Limited**

### **Note of historical cost profits and losses Year ended 30 April 2007**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Reported profit on ordinary activities before taxation	4,562,255	895,314
Realisation of property revaluation gains of previous years	39,875,341	-
Historical cost profit on ordinary activities before taxation	<u>44,437,596</u>	<u>895,314</u>
Historical cost profit after taxation and dividends	<u>18,937,596</u>	<u>895,314</u>

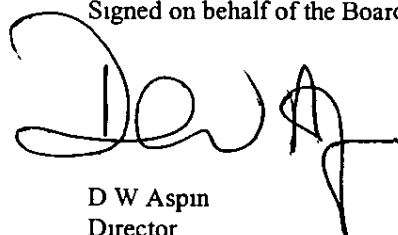
# Munroe K Limited

## Balance sheet 30 April 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8	102,537	748,203
Investment properties	9	-	117,740,340
Investments in subsidiary undertakings	10	4,684,879	4,262,935
Other investments		12,250	20,370
		<u>4,799,666</u>	<u>122,771,848</u>
<b>Current assets</b>			
Debtors	11	18,513,316	1,824,781
Cash at bank and in hand		248,892	789,186
		<u>18,762,208</u>	<u>2,613,967</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(7,374,052)</u>	<u>(11,277,888)</u>
<b>Net current assets/(liabilities)</b>		<u>11,388,156</u>	<u>(8,663,921)</u>
<b>Total assets less current liabilities</b>		<u>16,187,822</u>	<u>114,107,927</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>-</u>	<u>(76,986,359)</u>
<b>Net assets</b>		<u>16,187,822</u>	<u>37,121,568</u>
<b>Capital and reserves</b>			
Called up share capital	16	5,000	1,001
Share premium account	17	12,997,007	12,997,007
Revaluation reserve	18	-	39,875,341
Profit and loss account	19	3,185,815	(15,751,781)
<b>Shareholder's funds</b>	20	<u>16,187,822</u>	<u>37,121,568</u>

These financial statements were approved and authorised for issue by the Board of Directors on 2008

Signed on behalf of the Board of Directors



D W Aspin  
Director

# Munroe K Limited

## Cash flow statement Year ended 30 April 2007

	Note	2007 £	2006 £
<b>Net cash inflow/(outflow) from operating activities</b>	21	<u>1,457,150</u>	<u>(3,106,264)</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		403,756	678,089
Interest paid		(4,442,880)	(4,567,717)
Dividend paid		<u>(25,500,000)</u>	<u>-</u>
<b>Net cash outflow from investments and servicing of finance</b>		<u>(29,539,124)</u>	<u>(3,889,628)</u>
<b>Taxation</b>		<u>-</u>	<u>-</u>
<b>Capital expenditure and financial investments</b>			
Exceptional income/(costs) incurred following disposal of investment properties		-	284,105
Capital expenditure on investment properties		(13,700,245)	(3,391,683)
Purchase of tangible fixed assets		(87,790)	(908,726)
Sale of investment property		120,290,086	-
Sale of fixed assets		<u>676,590</u>	<u>308,000</u>
<b>Net cash inflow/(outflow) from capital expenditure</b>		<u>107,178,641</u>	<u>(3,708,304)</u>
<b>Acquisitions and disposals</b>			
Acquisition of investment		(447,250)	(4,273,473)
Sale of investment		-	300,000
Gain on sale of interest rate swap		<u>2,160,000</u>	<u>-</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>80,809,417</u>	<u>(14,677,669)</u>
<b>Financing</b>			
Issue of ordinary share capital		3,999	-
Net loans drawn down	23	<u>(81,844,079)</u>	<u>10,877,051</u>
<b>Net cash (outflow)/inflow from financing</b>		<u>(81,840,080)</u>	<u>10,877,051</u>
<b>Decrease in cash in year</b>	24	<u>(1,030,663)</u>	<u>(3,800,618)</u>

# **Munroe K Limited**

## **Notes to the financial statements** **Year ended 30 April 2007**

### **1. Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and law. The particular accounting policies adopted are described below.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties.

The Company's principal accounting policies are unchanged compared with the year ended 30 April 2006.

#### **Consolidation**

The company has taken advantage of the exemption granted under s248 Companies Act 1985 not to prepare group accounts, as the group qualifies as a medium group.

#### **Investment properties**

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, the requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been decreased by depreciation. However, the amount of depreciation cannot be reasonably quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Sales of properties are reflected in the accounts if an unconditional contract is exchanged by the balance sheet date and the sale is completed by the date of approval of the accounts.

#### **Tangible fixed assets**

The Company's tangible fixed assets are depreciated over their useful economic lives, which are estimated as follows:

Motor vehicles	4 years
Office equipment	4 years
Fixtures and fittings	4 years

#### **Investments**

Investments held as fixed assets are stated at cost less provision for impairment in value.

#### **Turnover**

Turnover comprises gross rents and related income receivable excluding value added tax. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the date of the first rent review.

#### **Financing costs**

The direct finance costs incurred in connection with the issue of bank loans have been capitalised and amortised by annual charge to the profit and loss account over the period of the loan.

#### **Leases**

Operating lease rentals are charged to profit and loss account as incurred.

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 1. Accounting policies (continued)

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Pension costs

Pension costs in respect of defined contribution pension schemes are charged to the profit and loss account as they are paid.

### 2. Turnover

	2007 £	2006 £
Gross rents receivable	4,389,558	6,748,279
Other income	362,656	298,971
	<u>4,752,214</u>	<u>7,047,250</u>

All income was derived in the United Kingdom.

### 3. Information regarding directors and employees

	2007 £	2006 £
Total emoluments of all directors are as follows		
Aggregate emoluments excluding pension contributions	<u>582,702</u>	<u>1,467,831</u>
Pension contributions	<u>60,000</u>	<u>60,000</u>

Pension contributions have been accrued in respect of two directors (2006 two)

	2007 £	2006 £
Highest paid director	<u>311,253</u>	<u>1,035,742</u>
Pension	<u>30,000</u>	<u>30,000</u>
Employee costs during the year (including directors)		
Wages and salaries	432,706	1,287,033
Social security costs	70,879	185,789
Pension costs	60,000	60,000
	<u>563,585</u>	<u>1,532,822</u>

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 3. Information regarding directors and employees (continued)

There are no pension liabilities or prepayments at the balance sheet date

	2007 No.	2006 No.
<b>Average number of people employed:</b>		
Executive directors	2	2
Other employees	1	1
	<u>3</u>	<u>3</u>

### 4. Operating profit

	2007 £	2006 £
<b>Operating profit before taxation is after charging/(crediting):</b>		
Depreciation - owned assets	56,866	157,816
Loss on disposal of fixed assets	-	15,963
Rentals on operating leases - other operating leases	-	20,048
Auditors' remuneration	32,000	28,000
	<u>32,000</u>	<u>28,000</u>

Audit fees for subsidiary undertakings are borne by Munroe K Limited

### 5. Interest receivable and similar income

	2007 £	2006 £
Interest receivable	403,756	94,176
Premium on redemption of loan stock	-	583,913
	<u>403,756</u>	<u>678,089</u>

On 30 June 2005, the company acquired 50% of the issued share capital in an investment for consideration of £1 and then further subscribed for £2,999,999 of loan stock. The loan stock was redeemed during 2006 for a premium of £500,000 plus additional fees.

### 6. Interest payable and similar charges

	2007 £	2006 £
Bank of Scotland interest (including guarantee costs)	3,912,762	4,548,927
Amortisation of financing costs	339,259	37,500
Other	16,380	364
	<u>4,268,401</u>	<u>4,586,791</u>

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 7. Tax on ordinary activities

	2007 £	2006 £
UK corporation tax	-	-
Profit/(loss) on ordinary activities before tax	4,562,255	895,314
Tax at 30% thereon	(1,368,677)	(268,595)
Expenses not deductible for tax purposes	(692,483)	(90,243)
Capital allowances in excess of depreciation	1,110,552	1,196,987
Utilisation of tax losses	7,325,763	471,205
Chargeable gains	(7,425,150)	38,430
Profit on disposal of non-qualifying assets	1,050,354	
Tax losses carried forward	-	(1,347,784)
Current charge for period	-	-

Deferred tax has not been provided on the revaluations of fixed assets, tax losses and capital allowances in excess of depreciation. This is discussed in note 15.

### 8. Tangible fixed assets

	Motor vehicles £	Office equipment £	Fixtures and fittings £	Total £
<b>Cost:</b>				
At 1 May 2006	744,909	369,951	106,564	1,221,424
Additions	78,290	9,500	-	87,790
Disposals	(734,635)	-	-	(734,635)
At 30 April 2007	88,564	379,451	106,564	574,579
<b>Depreciation:</b>				
At 1 May 2006	83,362	319,064	70,795	473,221
Charge for the year	22,141	21,523	13,202	56,866
Disposals	(58,045)	-	-	(58,045)
At 30 April 2007	47,458	340,587	83,997	472,042
<b>Net book value:</b>				
At 30 April 2007	41,106	38,864	22,567	102,537
At 30 April 2006	661,547	50,887	35,769	748,203

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 9. Investment properties

	Freehold
	£
<b>Valuation</b>	
At 1 May 2006	117,740,340
Additions	15,664,454
Disposal of investment properties	(133,404,794)
At 30 April 2007	<u>-</u>

The freehold investment properties were valued by Independent Valuers, Jones Lang Lasalle, as at the date of disposal of the investment property, on the basis of Market Value, in accordance with the RICS Appraisal and Valuation Standards

The property was sold to Munroe B LLP, at valuation at the date of sale at no gain or loss

The historical cost of investment properties included at valuation is £nil (2006 – £77,864,999)

### 10. Investments

#### Subsidiary undertakings

	£
At 1 May 2006	4,262,935
Additions	447,250
Decrease in value of net assets	(25,306)
At 30 April 2007	<u>4,684,879</u>

Subsidiaries	Country of incorporation	Activities
Joshua Taylor & Company Limited	England	Non trading
Probebit Limited	England	Non trading
Munroe K Italia srl	Italy	Investment property

All subsidiaries are 100% owned by the company

All interests in subsidiaries are in the form of ordinary shares, except for Joshua Taylor & Company Limited, where the company also holds all the preference shares in issue. The proportion of voting rights is equivalent to the proportion of shares held.

Munroe K Italia srl was incorporated in 2005 for the purpose of property investment in Italy however, during the year Munroe K Italia srl's activities have changed to that of a property trading company.

#### Other investments

In December 2004 the Company purchased 350,000 shares in The Works Media Group Plc (formerly Civilian Content plc) for £49,245. This represented 0.8% of the company's issued share capital. At 30 April 2007 the shareholding was valued at £12,250 (2006: £20,370).

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 11. Debtors

	2007 £	2006 £
Amounts falling due within one year		
Rental income receivable	15,395	733,629
Due from parent company	18,179,810	-
Due from subsidiary undertaking	-	1,705
Other debtors	160,233	145,972
Prepayments	157,878	182,807
VAT recoverable	-	155,989
	<u>18,513,316</u>	<u>1,220,102</u>
Amounts falling due after more than one year		
Rental income receivable	-	604,679
	<u>18,513,316</u>	<u>1,824,781</u>

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

	2007 £	2006 £
Bank overdrafts	4,267,090	3,776,721
Other short term loans	372,297	5,230,017
Due to subsidiary companies	2,560	-
Trade creditors	179,762	577,376
Taxation and social security	31,681	60,997
Other creditors	179,889	231,645
VAT payable	8,494	-
Interest payable	-	174,479
Accruals and deferred income	2,332,279	1,226,653
	<u>7,374,052</u>	<u>11,277,888</u>

Other short term loans comprises an amount due to Munroe B LLP, which was repaid in full on 25 May 2007

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

	2007 £	2006 £
Bank loans (see note 14)	-	76,986,359
	<u>-</u>	<u>76,986,359</u>

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 14. Borrowings

	2007 £	2006 £
<b>(i) Bank loans</b>		
Bank of Scotland	-	77,325,618
Less total deferred finance costs at 30 April	-	(339,259)
	<u>-</u>	<u>76,986,359</u>
<b>(ii) Other loans</b>		
BAE Systems plc	-	3,657,720
Munroe B LLP	372,297	1,572,297
	<u>372,297</u>	<u>82,216,376</u>
<b>Total</b>	<u>372,297</u>	<u>82,216,376</u>
<b>Analysis of loan repayments</b>		
Within one year or on demand	372,297	5,230,017
Between one and two years	-	-
Between two and five years	-	-
More than five years	-	77,325,618
Less Deferred finance costs	-	(339,259)
	<u>372,297</u>	<u>82,216,376</u>

On 30 June 2003 the company refinanced its borrowings. Prior to this refinancing the company had two tranches of debt, convertible loan stock issued to British Aerospace plc (BAe) comprising original principal of £22.3m plus rolled up and accrued interest of £13.0m giving a total debt of £35.3m and other loans from Aareal Bank AG totalling £32.0m as at 30 June 2003.

On 22 December 2005 it was agreed that the company would repay £7,315,440 to BAE Systems in instalments using finance obtained from the Bank of Scotland. BAE Systems also agreed to assign the balance of £1,572,297 of the debt due to them for £1 to Munroe B LLP. All amounts are bank guaranteed by the Bank of Scotland.

At the beginning of the year the company had debt due to Bank of Scotland of £77,325,618 comprising £26,500,000 fixed as an Interest Rate Swap through the term of the loan (to 25 March 2011), £43,500,000 fixed as an Interest Rate Swap for a 10-year term commencing 4 November 2005 and ending 25 March 2005, and the balance of £7,325,618 remaining floating. In November 2006 the company rolled its existing swaps into a new swap increasing the total debt fixed to £94,500,000 at 4.726% for 15 years commencing 15 January 2007. When the company sold its White Rose Office Park investment to Munroe Luxembourg S.A. on 15 January 2007 it used the proceeds to repay Bank of Scotland all its outstanding debt totalling £94,471,133 and furthermore sold its Interest Rate Swap to Munroe K Luxembourg S.A. for £2,160,000, which was its fair market value at the date of sale.

### 15. Deferred taxation

Deferred tax has not been provided on the revaluations of fixed assets, tax losses and capital allowances in excess of depreciation. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £nil (2006: £nil).

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 16. Called up share capital

	2007 £	2006 £
<b>Authorised:</b>		
5,000 ordinary shares of £1 each	5,000	1,800
<b>Called up, allotted and fully paid:</b>		
5,000 ordinary shares of £1 each	5,000	1,001

On 10 August 2006, the authorised share capital of the company was increased by 3,200 ordinary and then all of the unauthorised share capital was then redesignated to ordinary B shares and issued to an associated company

### 17. Share premium account

	£
At 1 May 2006 and 30 April 2007	12,997,007

### 18. Revaluation reserve

	£
At 1 May 2006	39,875,341
Transfer of revaluation reserves to distributable reserves on sale of properties	(39,875,341)
At 30 April 2007	-

### 19. Profit and loss account

	2007 £
At 1 May 2006	(15,751,781)
Profit for the year	4,562,255
Transfer from revaluation reserves	39,875,341
Dividend paid	(25,500,000)
At 30 April 2007	3,185,815

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 20. Reconciliation of movements in shareholder's funds

	2007 £	2006 £
Opening shareholder's funds	37,121,568	32,877,597
Share issue	3,999	-
Profit attributable to member of the company	4,562,255	895,314
Surplus on revaluation of investment properties	-	3,348,657
Dividend paid	(25,500,000)	-
Closing shareholder's funds	<u>16,187,822</u>	<u>37,121,568</u>

### 21. Reconciliation of operating profit to net cash outflow from operating activities

	2007 £	2006 £
Operating profit for the financial year	2,765,720	4,219,913
Depreciation	56,866	157,816
Loss on sale of tangible fixed assets	-	15,963
Impairment in investment	33,426	30,683
Increase in debtors	(72,647)	(947,486)
Increase in creditors	(1,326,215)	(6,583,153)
Net cash inflow/(outflow) from operating activities	<u>1,457,150</u>	<u>(3,106,264)</u>

### 22. Reconciliation of net cash flow to movements in net debt

	£	2007 £	£	2006 £
Decrease in cash in year	(1,030,663)		(3,800,618)	
Net loans repaid/(drawn down)	<u>82,183,338</u>		<u>(10,877,051)</u>	
Change in net debt resulting from cash flows		81,152,675		(14,677,669)
Issue costs capitalised		-		49,689
Amortisation of issue costs		<u>(339,259)</u>		<u>(37,500)</u>
Movement in net debt in the year		80,813,416		(14,665,480)
Net debt 1 May 2006		<u>(85,203,911)</u>		<u>(70,538,431)</u>
Net debt 30 April 2007		<u>(4,390,495)</u>		<u>(85,203,911)</u>

# Munroe K Limited

## Notes to the financial statements Year ended 30 April 2007

### 23. Analysis of changes in net debt

	At 30 April 2006 £	Cash flows £	Non-cash flows	At 30 April 2007 £
Cash at bank and in hand	789,186	(540,294)	-	248,892
Overdraft	(3,776,721)	(490,369)	-	(4,267,090)
	(2,987,535)	(1,030,663)	-	(4,018,198)
Debt due within one year	(5,230,017)	4,857,720	-	(372,297)
Debt due after one year	(76,986,359)	77,325,618	(339,259)	-
	(85,203,911)	81,152,675	(339,259)	(4,390,495)

### 24. Lease commitments

The company has annual commitments under leases that expire

	2007		2006	
	Land and buildings £	Total £	Land and buildings £	Total £
Within one year	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	30,500	30,500	30,500	30,500
After five years	-	-	-	-
	30,500	30,500	30,500	30,500

### 26. Contingencies

As at 30 April 2007, Munroe K Limited is holding service charge monies of £nil (2006 – £368,528) as trustee for the tenants at the Leeds property

### 27. Capital commitments

The company was not committed to any capital expenditure at 30 April 2007 (2006 – £14,534,206)

### 28. Related party transactions

A net amount of £59,583 (2006 - £63,333) was received from Munroe K Asset Management Limited for property management services. Two of the directors of Munroe K Asset Management Limited, C G Lintott and P R Harding are also directors of Munroe K Limited. At 30 April 2007, £553 (2006 - £553) was due from Munroe K Asset Management Limited.

The company owes £372,297 (2006 - £1,572,297) to Munroe B LLP, a partnership with the majority interest held by D W Aspin, a director of Munroe K Limited. This balance arose as a result of the assignment of the debt by BAe, as described in note 15. Furthermore, Munroe K Limited has a balance recoverable from Munroe K Luxembourg SA of £18,179,810 in relation to the balance receivable as a result of the sale of the property as described in note 9.

## **Munroe K Limited**

### **Notes to the financial statements**

#### **Year ended 30 April 2007**

**29. Ultimate controlling party**

The ultimate controlling party is D W Aspin who has a 99 per cent interest in the holding limited liability partnership, Munroe B LLP

**30. Post year end event**

The Company approved, by Special Resolution of the Company passed on 26 March 2007, pursuant to section 173 of the Companies Act 1985, a payment out of capital for the purpose of acquiring 996 of its own B shares of £1 each by purchase. The permissible capital payment for the shares was £11,969,913. This buy back was effected on 8 May 2007 for £14,925,039 which included £2,955,126 from distributable reserves.