

UPP (Plymouth) Limited
Report and financial statements
for the year ended 31 August 2007

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UPP (Plymouth) Limited

Report and financial statements for the year ended 31 August 2007

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UPP (Plymouth) Limited

Directors and advisors

Directors

C W Crawford
R S McClatchey

Secretary

J C W Benkel

Auditors

Grant Thornton UK LLP
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Milton Keynes
Buckinghamshire
MK9 1LW

Registered office

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UPP (Plymouth) Limited

Directors' report for the year ended 31 August 2007

The directors present their report and the audited financial statements for the year ended 31 August 2007

Results, principal activities and review of business

The company's principal activity is the operation of student accommodation and the provision of related facilities management services for the University of Plymouth at Radnor Dairy, Plymouth for thirty years under the University Partnership Programme

Both the level of business and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts

The profit for the year attributable to shareholders and reported in the financial statements is £1,937,000 (2006 Loss £25,000)

On 13 December 2006 the students' residence year was increased from 39 to 40 weeks. This is effective for the academic year beginning September 2007

Dividend

The directors do not recommend the payment of a dividend (2006 £Nil)

Going concern

The directors have reviewed the company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the company's finances, contracts and likely future demand trends. After consideration of these projections the directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis

Key performance indicators

The following are considered by the Directors to be indicators of performance of the company that are not necessarily evident from the statutory accounts

	2006/07	2005/06
Applications : Acceptance ratio	4.6 : 1	4 : 3 : 1
Core demand pool (no. of students)	13,351	10,042

The indicators above are directly related to the performance of Plymouth University and any changes in these statistics may potentially effect the performance of UPP (Plymouth) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable levels

UPP (Plymouth) Limited

Directors' report (continued) for the year ended 31 August 2007

Financial risk management objectives and policies

The company uses financial instruments including intra-group borrowings, cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. All of the company's financial instruments are of sterling denomination and the company does not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Interest rate risk

The company finances its operations through a mixture of retained profits and intra group borrowings. Interest on the intra group borrowings from the company's immediate parent company, UPP Holdings Limited, is at a fixed rate. The exposure to interest rate fluctuations on the bank borrowings held by UPP Holdings Limited is managed by the use of interest swaps which fix variable interest rates over the period of the senior debt.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and to invest cash assets safely and profitably.

The maturity of intra group borrowings is set out in note 14 to the financial statements.

Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

Portfolio risk

The asset is in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

UPP (Plymouth) Limited

Directors' report (continued) for the year ended 31 August 2007

Directors and their interests

The directors holding office during the year were

C W Crawford
R S McClatchey

At 31 August 2007, none of the directors had any beneficial interest in the shares of the company or in any of the group companies

Employee involvement

The directors attach the greatest importance to the development of employee involvement throughout the company based on good communication and working relationships. Consultation takes place through normal regular management contacts and in meetings with all levels of employees to assist the employees in developing their awareness of the financial and economic factors which affect the business and performance of the company.

Creditor payment terms

When entering into commitments for the purchase of services and goods the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms where it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, every effort is made to resolve these quickly.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors Report and the financial statements in accordance with applicable laws 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 judgements 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, and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for

UPP (Plymouth) Limited

Directors' report (continued) for the year ended 31 August 2007

Statement of directors' responsibilities (continued)

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

Auditors

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditors to the company

On behalf of the board



R S McClatchey
Director

20 Dec 2007

Report of the independent auditors to the members of UPP (Plymouth) Limited

We have audited the financial statements of UPP (Plymouth) Limited for the year ended 31 August 2007, which comprise the profit and loss account, balance sheet and the related notes 1 to 19. 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 applicable 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 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 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 UPP
(Plymouth) Limited (continued)**

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 August 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

Grant Thornton UK LLP

**Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Central Milton Keynes**

21 December 2007

UPP (Plymouth) Limited

Profit and loss account

For the year ended 31 August 2007

	Notes	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Turnover	2	445	404
Cost of sales		<u>(343)</u>	<u>(312)</u>
Gross profit		102	92
Operating expenses		<u>2,191</u>	<u>(92)</u>
Operating result			-
- operational		-	
- exceptional		<u>2,293</u>	
	7	<u>2,293</u>	-
Interest receivable and similar income	8	1,285	863
Interest payable and similar charges	9	<u>(1,680)</u>	<u>(899)</u>
Profit/(loss) on ordinary activities before taxation		1,898	(36)
Tax on profit/(loss) on ordinary activities	10	<u>39</u>	<u>11</u>
Retained profit/(loss) for the year		<u>1,937</u>	<u>(25)</u>

The above results all relate to continuing operations

The company has no recognised gains and losses other than the profits/losses for the years ended 31 August 2007 and 31 August 2006 above and therefore no separate statement of total recognised gains and losses has been presented

UPP (Plymouth) Limited

Balance sheet at 31 August 2007

	Notes	31 August 2007 £'000	31 August 2006 £'000
Current assets			
Debtors amounts falling due within one year	11	150	137
Debtors amounts falling due after more than one year	12	14,477	10,128
Cash at bank and in hand		80	34
		<u>14,707</u>	<u>10,299</u>
Creditors amounts falling due within one year	13	(2,036)	(250)
Net current assets		<u>12,671</u>	<u>10,049</u>
Creditors amounts falling due after more than one year	14	(10,446)	(9,722)
Provisions for liabilities and charges			
Deferred tax	15	-	(39)
		<u>2,225</u>	<u>288</u>
Capital and reserves			
Called up share capital	16	200	200
Profit and loss account	17	2,025	88
Shareholders' funds	17	<u>2,225</u>	<u>288</u>

The financial statements were approved by the board on
and were signed on its behalf by

20 DEC 2007

R S McClatchey

R S McClatchey
Director

UPP (Plymouth) Limited

Notes to the financial statements for the year ended 31 August 2007

1. Principal accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985

(b) Going concern

The directors have reviewed the company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the company's finances, contracts and likely future demand trends. After consideration of these projections the directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis

(c) Cash flow statement

The company has taken advantage of the exemption available under FRS 1 (revised) and has not prepared a cash flow statement

(d) Presentation of principal asset

Rent receivable is generated from the Company's interest in university accommodation. In accordance with the provisions of FRS5 (Application note F) the appropriate balance sheet treatment of this interest is to treat the asset as a finance asset. Each year the company reviews the status of the asset (the balance of the significant risks and rewards of ownership) and assesses the appropriateness of continuing to account for its investments as a finance receivable asset

(e) Finance receivable

In initially accounting for costs as a finance receivable, all attributable expenditure, including net finance costs, are included in the cost of the finance asset. The finance asset is subsequently valued using the internal rate of return method calculated on the basis of net present value of future cashflows throughout the operational phase, which vary from year to year

The finance asset is amortised over the operational phase of the project in accordance with FRS 5 (Application note F). This method of amortisation has been chosen as the profile of profit recognition is principally in line with the debt costs incurred over the life of the project. The amortisation is then charged or credited to finance receivable dependent on the profit profile of the project over the lease term

(f) Income recognition

Rent receivable is recognised on the basis of the amount receivable in respect of the accounting period. Amounts received in advance are included within deferred income. There is an obligation on the company to maintain the finance receivable asset in a fit state of repair, and a portion of the rent receivable is deferred to fund a diminishing proportion of the next three years planned maintenance

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

1. Principal accounting policies (continued)

(f) Income recognition (continued)

The amount recognised in the year is apportioned to Turnover and Interest receivable in such a manner as to leave the company in a break even position at Operating profit level. This apportionment reflects the fact that the Company generates profit through its financing activity rather than on its facilities management activity. If the company generates an operating loss in the period no adjustment is made.

(g) Taxation

(i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

(ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Deferred tax assets are recognised to the extent that it is 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 on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date.

(h) Debt issue costs

The debt issue costs incurred have been offset against the related debt and are charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated.

(i) Related party transactions

The company is a wholly owned subsidiary undertaking of UPP Holdings Limited and as such the company has taken advantage of the terms of FRS 8 not to disclose related party transactions which are eliminated on consolidation.

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

1. Principal accounting policies (continued)

(j) Deferred contribution pension scheme

Contributions to employees' personal pension arrangements during the year are charged to the profit and loss account as incurred. Details of the pension arrangements are given in note 6.

2. Turnover

Turnover arises wholly from the UK, and is net of VAT and discounts.

3. Directors' remuneration

The directors received £Nil (2006: £Nil) in respect of services performed in connection with the management of the affairs of this company.

4. Audit fees

The audit fees for the year ended 31 August 2007 were £15,000 (2006: £14,000).

5. Employee information

The average number of persons employed by the company during the year was as follows:

	2007 Number	2006 Number
Site manager (full time)	1	1
Administration, maintenance and cleaning (full and part time)	9	9
	<u>10</u>	<u>10</u>

The employment costs of all employees included above were:

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Wages and salaries	148	149
Social security costs	8	5
Other pension costs	1	2
	<u>157</u>	<u>156</u>

6. Pension arrangements

For eligible employees, contributions are made to employees' personal pension schemes, based on a predetermined percentage of individuals' salaries.

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

7. Operating profit/(loss)

The operating profit/(loss) is stated after charging

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Gain made on the variation the lease terms	<u>2,293</u>	<u>-</u>

In December 2006 the terms of the leases with the University of Plymouth were varied. The gain above represents the difference between the premium payable in respect of the lease extension and the discounted cash flow of the benefit the extension provides.

8. Interest receivable and similar income

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Interest from bank	6	6
Interest on finance receivable	<u>1,279</u>	<u>857</u>
	<u>1,285</u>	<u>863</u>

9. Interest payable and similar charges

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Amortisation of commitment and issue costs	849	64
Interest payable	1	-
Interest payable on loan from immediate parent undertaking	<u>830</u>	<u>835</u>
	<u>1,680</u>	<u>899</u>

Amortisation of commitment and issue costs has been accelerated to reflect the early anticipated redemption of associated debt.

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

10. Tax on loss on ordinary activities

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
a) Analysis of credit for the year		
Current tax charge for the year (note 10b)	-	-
<i>Deferred tax</i>		
Current year (note 15)	39	11
Tax on loss on ordinary activities	39	11

b) Factors affecting current tax charge

The tax assessed for the year is lower (2006 higher) than the standard rate of corporation tax in the UK 28% (2006 30%) The differences are explained below

	Year ended 31 August 2007 £'000	Year ended 31 August 2006 £'000
Profit/(Loss) on ordinary activities before tax	1,898	(36)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2006 30%)	531	(11)
<i>Effects of</i>		
Capital allowances in excess of depreciation	8	(10)
Rate change	(3)	-
Expenses disallowable for tax purposes	(642)	-
Tax losses	106	21
Current tax charge for the year (note 10a)	-	-

c) Factors that may affect future tax charges

A deferred tax asset of £74,000 (2006 £Nil) in respect of available tax losses has not been recognised at 31 August 2007 This is due to there being no persuasive and reliable evidence available at this time of suitable profits in the future to offset these losses

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

11. Debtors: amounts falling due within one year

	31 August 2007 £'000	31 August 2006 £'000
Trade debtors	109	32
Finance receivable	18	30
Amounts owed by related parties	12	26
Prepayments and accrued income	11	49
	<u>150</u>	<u>137</u>

12. Debtors: amounts falling due after more than one year

	31 August 2007 £'000	31 August 2006 £'000
Finance receivable	<u>14,477</u>	<u>10,128</u>

The finance receivable asset includes net finance costs up to the date of completion of £431,000 (2006 £431,000)

13. Creditors: amounts falling due within one year

	31 August 2007 £'000	31 August 2006 £'000
Amounts due to immediate parent undertaking	97	52
Loan from immediate parent undertaking	125	120
Trade creditors	9	5
Amounts owed to related parties	1,779	35
Other creditors and accruals	26	38
	<u>2,036</u>	<u>250</u>

14. Creditors: amounts falling due after more than one year

	31 August 2007 £'000	31 August 2006 £'000
Loan from immediate parent undertaking	10,661	10,781
Less creditors falling due within one year	(125)	(120)
	<u>10,536</u>	<u>10,661</u>
Less unamortised issue costs	(90)	(939)
	<u>10,446</u>	<u>9,722</u>

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

14. Creditors: amounts falling due after more than one year (continued)

	31 August 2007 £'000	31 August 2006 £'000
Maturity of debt		
In one year or less	125	120
In more than one year but less than two years	99	125
In more than two years but less than five years	580	426
In more than five years	9,857	10,110
	<u>10,661</u>	<u>10,781</u>
Less: creditors falling due within one year	(125)	(120)
	<u>10,536</u>	<u>10,661</u>
Less: unamortised issue costs	(90)	(939)
	<u>10,446</u>	<u>9,722</u>

Loan from immediate parent undertaking

The loan with the company's immediate parent undertaking, UPP Holdings Limited, is repayable by August 2032 with principal repayments having commenced in November 2002. Interest is fixed at a rate of 6.91%.

At 31 August 2007 the terms of the inter-company loan broadly matched the terms of the debt facilities that UPP Holdings Limited has raised for the benefit of its subsidiary undertakings. On 7 September 2007 UPP Holdings Limited entered into agreement with its senior lender to repay its facility by 31 August 2009 with all other terms remaining broadly the same.

Under the terms of the inter-company loan agreement and the external debt facilities the external lender has security over all the assets of the company by way of fixed and floating charges. The assets of the company also provide security for all of the debt facilities of UPP Holdings Limited.

On 31 August 2005, UPP Holdings Limited repaid its equity bridge debt and replaced it with subordinated loan notes in favour of Alma Mater and Barclays European Infrastructure Limited (acting in its capacity as general partner of the Barclays European Infrastructure Fund). The loan notes are subordinated to the right of payment of senior debt providers and will bear interest at a rate of 10% per annum for the first five years, 12% per annum from 1 September 2010 until 31 May 2028 and 15% per annum thereafter. The loan notes will be repaid from 2025 until 2034.

The inter-company loan agreement between the company and UPP Holdings Limited reflects the same terms in respect of the company's relevant proportion of this transaction.

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

15. Deferred taxation

	31 August 2007 £'000	31 August 2006 £'000
Deferred tax liability		
At 1 September	39	50
Profit and loss account (note 10a)	(39)	(11)
At 31 August	-	39
The deferred tax liability consists of		
Accelerated capital allowances	240	247
Tax losses	(240)	(208)
Total deferred tax liability	-	39

16. Share capital

	31 August 2007 £'000	31 August 2006 £'000
Authorised		
100,000 A Ordinary shares of £1 each	100	100
100,000 B Ordinary shares of £1 each	100	100
	200	200
Allotted, called up and fully paid		
100,000 A Ordinary shares of £1 each	100	100
100,000 B Ordinary shares of £1 each	100	100
	200	200

“A” and “B” shares rank pari passu in all respects

17. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 September 2006	200	88	288
Profit for the year	-	1,937	1,937
At 31 August 2007	200	2,025	2,225

UPP (Plymouth) Limited

Notes to the financial statements (continued) for the year ended 31 August 2007

18. Parent undertaking and controlling party

UPP (Plymouth) Limited is a wholly owned subsidiary undertaking of UPP Holdings Limited

UPP Holdings Limited is owned by UPP Group Holdings Limited (formerly UPP Investments Limited), Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited) and Barclays European Infrastructure Limited (acting in its capacity as general partner of the Barclays European Infrastructure Fund). UPP Group Holdings Limited is owned by Alma Mater Fund LP. Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively known as 'Alma Mater'. Both Barclays Alma Mater General Partner Limited and Barclays European Infrastructure Limited are 100% owned by Barclays Private Equity Limited, a subsidiary of Barclays Plc.

It is the directors' opinion that Alma Mater is the ultimate controlling party.

The smallest group of which the company is a member and for which group accounts are prepared is UPP Holdings Limited. The largest group of which the company is a member and for which group accounts are prepared is UPP Group Holdings Limited. Copies of these accounts can be obtained from Companies House, Cardiff CF4 3UZ, once they have been filed.

19. Related party transactions

UPP Projects Limited and UPP Residential Services Limited are subsidiaries of Alma Mater. Therefore the directors consider that UPP Projects Limited, UPP Residential Services Limited, Alma Mater and Barclays Bank plc are related companies.

The company, on normal commercial terms, incurred £225,000 (2006: £188,000) for services provided by UPP Residential Services Limited. An amount of £85,000 (2006: £35,000) remained outstanding at balance sheet date and is included within creditors falling due within one year.

The company received £Nil (2006: £16,000) on behalf of UPP (Plymouth Three) Limited, a company also controlled by Alma Mater. An amount of £12,000 (2006: £12,000) remained outstanding at balance sheet date and is included within debtors falling due within one year.

The company incurred £1,694,000 (2006: £Nil) for services provided by UPP (Plymouth Three) Limited, a company also controlled by Alma Mater. An amount of £1,694,000 (2006: £Nil) remained outstanding at balance sheet date and is included within creditors falling due within one year.