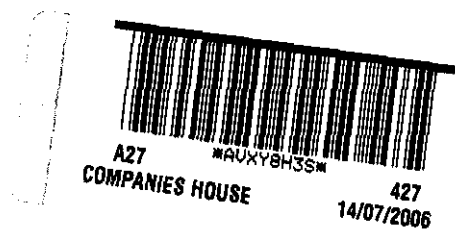


**Report of the Directors and  
Financial Statements  
for the year ended 31 December 2005  
for  
Derbyshire Schools Phase Two Limited**

5039067



# **Derbyshire Schools Phase Two Limited**

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# **Derbyshire Schools Phase Two Limited**

## **Company Information for the year ended 31 December 2005**

**DIRECTORS:**

H L Blaney  
J M S J Deering  
G J Frost  
M J Gregory  
T S Wheeldon

**SECRETARY:**

N D Lewis

**REGISTERED OFFICE:**

7th Floor  
1 Fleet Place  
London  
EC4M 7NR

**REGISTERED NUMBER:**

5039607

**AUDITORS:**

Ernst & Young LLP  
Registered Auditor  
1 More London Place  
London  
SE1 2AF

# **Derbyshire Schools Phase Two Limited**

## **Report of the Directors for the year ended 31 December 2005**

The directors present their report with the financial statements of the company for the year ended 31 December 2005.

### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of a general partner to a limited partnership which is involved in the development and construction of serviced premises. On completion the partnership is a lessor and manager of these premises.

### **REVIEW OF BUSINESS**

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

Both the level of business and the period end financial position were in line with budgets and expectations. The directors expect the present level of activity will be sustained until the construction phase of the project is complete, from which point the company is expected to trade profitably.

### **DIVIDENDS**

The loss for the financial year of £7,137 (2004: £21,587) has been transferred to reserves. The directors do not recommend the payment of a dividend.

### **DIRECTORS**

The directors during the year under review were:

H L Blaney	
J M S J Deering	
G J Frost	
M J Gregory	- appointed 12/4/2005
T S Wheeldon	

The directors holding office at 31 December 2005 did not hold any beneficial interest in the issued share capital of the company at 1 January 2005 (or date of appointment if later) or 31 December 2005.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 of the company 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 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.

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# **Derbyshire Schools Phase Two Limited**

## **Report of the Directors for the year ended 31 December 2005**

### **AUDITORS**

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and therefore in accordance with the elective regime passed by the company they are deemed to have been reappointed.

### **ON BEHALF OF THE BOARD:**

  
.....  
M J Gregory - Director

Date: 1<sup>st</sup> June 2006

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DERBYSHIRE SCHOOLS PHASE TWO LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 the Directors and the Auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*  
Ernst & Young LLP  
Registered auditor  
London  
21 June 2006

# Derbyshire Schools Phase Two Limited

## Profit and Loss Account for the year ended 31 December 2005

	Notes	2005 £	2004 £
<b>TURNOVER</b>		-	-
<b>OPERATING PROFIT</b>	3	-	-
Income from participating interests	4	<u>(7,137)</u>	<u>(21,587)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(7,137)	(21,587)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>(7,137)</u>	<u>(21,587)</u>
<b>DEFICIT FOR THE YEAR</b>		<u>(7,137)</u>	<u>(21,587)</u>

### CONTINUING OPERATIONS

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

All items in the above statement are derived from continuing operations.

### TOTAL RECOGNISED GAINS AND LOSSES

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

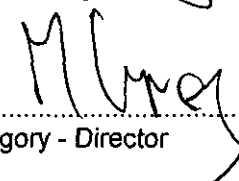
# Derbyshire Schools Phase Two Limited

## Balance Sheet 31 December 2005

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	6	980	980
<b>CURRENT ASSETS</b>			
Debtors	7	2,243,558	2,243,558
<b>CREDITORS</b>			
Amounts falling due within one year	8	29,704	22,567
<b>NET CURRENT ASSETS</b>		2,213,854	2,220,991
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,214,834	2,221,971
<b>CREDITORS</b>			
Amounts falling due after more than one year	9	2,243,557	2,243,557
<b>NET LIABILITIES</b>		(28,723)	(21,586)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1	1
Profit and loss account	11	(28,724)	(21,587)
<b>SHAREHOLDERS' FUNDS</b>	14	(28,723)	(21,586)

ON BEHALF OF THE BOARD:

  
J M S J Deering - Director

  
M J Gregory - Director

Approved by the Board on 2<sup>nd</sup> June 2006

The notes form part of these financial statements



# Derbyshire Schools Phase Two Limited

## Notes to the Financial Statements for the year ended 31 December 2005

### 1. ACCOUNTING POLICIES

#### Accounting convention

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

#### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

#### Consolidated Financial Statements

The financial statements contain information about Derbyshire Schools Phase Two Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation on the consolidated financial statements of its parent, Babcock & Brown (PPP) Limited, a company registered in England and Wales.

#### Going Concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors believe the going concern basis to be appropriate as the project has committed banking facilities to cover all projected expenditure during construction and is sufficiently cash generative thereafter to fully repay the debt and other expenses.

#### Investments

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

#### Cash flow statement and related party disclosures

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

### 2. STAFF COSTS

There were no staff costs for the year ended 31 December 2005 nor for the period ended 31 December 2004.

### 3. OPERATING PROFIT

The operating profit is stated after charging:

	2005 £	2004 £
Directors' emoluments	-	-

# Derbyshire Schools Phase Two Limited

## Notes to the Financial Statements - continued for the year ended 31 December 2005

### 4. INCOME FROM PARTICIPATING INTERESTS

Income from group undertaking represents Derbyshire Schools Phase Two Limited's share of the results of the Derbyshire Schools Phase Two Partnership for the year.

### 5. TAXATION

#### Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2005 nor for the year ended 31 December 2004.

#### Factors affecting the tax charge

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

	2005 £	2004 £
Loss on ordinary activities before tax	<u>(7,137)</u>	<u>(21,587)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(2,141)	(6,476)
Effects of:		
Unrelieved current year tax losses available to carry forward	2,141	28,188
Accelerated interest deduction current tax charge	<u>-</u>	<u>(21,712)</u>
Current tax charge	<u>-</u>	<u>-</u>

#### Factors that may affect future tax charges

There is an unprovided deferred tax asset of £8,617 (2004: £6,476) in relation to:

	2005 £	2004 £
Decelerated capital allowances	(346,237)	(24,311)
Tax losses	354,854	30,787
	<u>8,617</u>	<u>6,476</u>

### 6. FIXED ASSET INVESTMENTS

#### COST

At 1 January 2005  
and 31 December 2005

#### NET BOOK VALUE

At 31 December 2005

At 31 December 2004

Interest  
in other  
participating  
interests  
£

980

980

980

# Derbyshire Schools Phase Two Limited

## Notes to the Financial Statements - continued for the year ended 31 December 2005

### 6. FIXED ASSET INVESTMENTS - continued

The company has invested in Derbyshire Schools Phase Two Partnership through the pledge of £980 to the capital account of the limited partnership which has a total pledged capital of £1,000. The company is entitled to a 98% share of the net income or losses and a 98% share of any capital gains or losses of the limited partnership, and has sole control over the operating decisions of the limited partnership.

Derbyshire Schools Phase Two Partnership is involved in the development and construction of serviced premises. On completion the partnership is a lessor and manager of these premises.

### 7. DEBTORS

	2005 £	2004 £
Amounts falling due within one year:		
Called up share capital not paid	<u>1</u>	<u>1</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>2,243,557</u>	<u>2,243,557</u>
Aggregate amounts	<u>2,243,558</u>	<u>2,243,558</u>

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Amounts owed to group undertakings	<u>29,704</u>	<u>22,567</u>

These amounts owed to group undertakings are non-interest bearing and repayable on demand.

### 9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £	2004 £
Amounts owed to group undertakings	<u>2,243,557</u>	<u>2,243,557</u>

The amounts owed to group undertakings are non-interest bearing and repayable on demand but it has been agreed that repayment will not be sought before 31 December 2006.

### 10. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2005 £	2004 £
100	Ordinary	£1	<u>100</u>	<u>100</u>
Allotted and issued:				
Number:	Class:	Nominal value:	2005 £	2004 £
1	Ordinary	£1	<u>1</u>	<u>1</u>

# Derbyshire Schools Phase Two Limited

## Notes to the Financial Statements - continued for the year ended 31 December 2005

### 11. RESERVES

	Profit and loss account £
At 1 January 2005	(21,587)
Deficit for the year	(7,137)
	<u>(28,724)</u>
At 31 December 2005	<u>(28,724)</u>

### 12. CONTINGENT LIABILITIES

The Company is the General Partner in the Derbyshire Schools Phase Two Partnership. Under the terms of the Partnership Agreement the Limited Partner is only liable in the event of a dissolution for their partnership capital which amounts to £20 and the Company is liable for all other liabilities of the Partnership. The Derbyshire Schools Phase Two Partnership had net liabilities at 31 December 2005 of £28,310 (2004: £21,028). The Partnership has long term bank debt in place to fund its activities.

### 13. ULTIMATE CONTROLLING PARTY

The directors regard Babcock & Brown (PPP) Limited, a company incorporated in England and Wales as the immediate parent company and PFI Holdings Partners LP a limited partnership registered in the United States of America as the ultimate controlling party. Derbyshire Schools Phase Two Limited is consolidated in the financial statements of Babcock & Brown (PPP) Limited. Copies of the consolidated financial statements of Babcock & Brown (PPP) Limited can be obtained from 7th Floor, 1 Fleet Place, London, EC4M 7NR.

### 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Loss for the financial year	(7,137)	(21,587)
New share capital subscribed	-	1
	<u>(7,137)</u>	<u>(21,586)</u>
<b>Net reduction of shareholders' funds</b>	<b>(7,137)</b>	<b>(21,586)</b>
Opening shareholders' funds	(21,586)	-
	<u>(28,723)</u>	<u>(21,586)</u>
<b>Closing shareholders' funds</b>	<b>(28,723)</b>	<b>(21,586)</b>
	<u>(28,723)</u>	<u>(21,586)</u>
Equity interests	(28,723)	(21,586)
	<u>(28,723)</u>	<u>(21,586)</u>