

Derbyshire Schools Phase Two Limited

Annual Report

**For the period from incorporation on 10 February 2004
to 31 December 2004**

Registered Number: 05039067



Derbyshire Schools Phase Two Limited

Annual Report

For the period ended 31 December 2004

	Pages
Directors' Report	1 - 2
Independent auditors' report	3
Profit & Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6 - 8

Derbyshire Schools Phase Two Limited

Directors' Report

For the period ended 31 December 2004

The directors present their report and the audited financial statements for the period from incorporation on 10 February 2004 to 31 December 2004.

Principal Activities

The principal activity of the company is 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 and future developments

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 and transfers to reserves

The directors do not recommend the payment of a dividend. The loss for the financial period of £21,587 has been transferred to reserves.

Directors

The directors of the company during the period were as follows:

DWS Directors Limited	(appointed 10 February 2004 and resigned 8 March 2004)
Hugh Luke Blaney	(appointed 8 March 2004)
Giles Frost	(appointed 8 March 2004)
Julian Malcolm St John Deering	(appointed 6 July 2004)
Timothy Scott Wheeldon	(appointed 8 March 2004)
Michael John Gregory	(appointed 12 April 2005)

None of the directors have any disclosable interests in the shares of the company or any group company.

Derbyshire Schools Phase Two Limited

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period from incorporation on 10 February 2004 to 31 December 2004 and that applicable accounting standards have been followed.

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 statement 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.

Auditors

In accordance with the procedure set out in Regulation 53 of Table A in the Schedule to the Companies Act Regulations 1985 as amended which is incorporated in the articles of association of the Company, the company has dispensed with annual obligation to appoint auditors.

By order of the board



S Downs
Company Secretary

Independent auditors' report to the members of Derbyshire Schools Phase Two Limited

We have audited the company's financial statements for the period ended 31 December 2004 which comprise the profit and loss account, the balance sheet and related notes 1 to 12. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements with it.

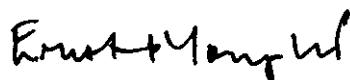
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
London
Registered Auditor

24 August 2005

Derbyshire Schools Phase Two Limited
Profit and loss account
For the period ended 31 December 2004

	Notes	10 February 2004 to 31 December 2004 £
Operating profit		-
Income from group undertaking - share of partnership loss	3	<u>(21,587)</u>
Loss on ordinary activities before taxation		(21,587)
Tax on loss on ordinary activities	4	<u>-</u>
Loss for the period	10	<u><u>(21,587)</u></u>

All results relate to continuing operations.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the period and their historical cost equivalents.

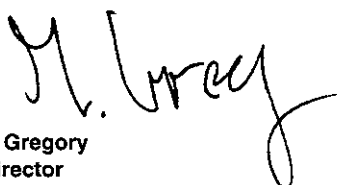
Derbyshire Schools Phase Two Limited
Balance sheet
at 31 December 2004

	Notes	31 December 2004 £
Fixed assets		
Investments	5	<u>980</u>
Current assets		
Debtors: amounts falling due within one year	6	1
Debtors: amounts falling due after one year	6	2,243,557
Creditors: amounts falling due within one year	7	<u>(22,567)</u>
Net current liabilities		<u>2,220,991</u>
Total assets less current liabilities		2,221,971
Creditors: amounts falling due after one year	8	(2,243,557)
Net liabilities		<u><u>(21,586)</u></u>
Capital and reserves		
Called up share capital	9	1
Profit & loss account	10	<u>(21,587)</u>
Equity shareholders' deficit	11	<u><u>(21,586)</u></u>

The financial statements on pages 4 to 8 were approved by the board of directors on 24 August 2005 and were signed on its behalf by:



G Frost
Director



M Gregory
Director

Derbyshire Schools Phase Two Limited
Notes to the financial statements
For the period ended 31 December 2004

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

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 it 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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 Properties No.2 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) Group.

2 Directors' emoluments

None of the directors received any remuneration in respect of their services to the company during this period.

Derbyshire Schools Phase Two Limited

3 Income from group undertaking

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

4 Taxation

There is no charge to corporation tax for the period based on the taxable losses incurred by the company.

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	31 December 2004 £
Profit on ordinary activities before tax	<u>(21,587)</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(6,476)
Effect of:	
Unrelieved tax losses carried forward	28,188
Other timing differences	<u>(21,712)</u>
	<u>-</u>

Factors that may affect future tax charges

There is an unprovided deferred tax asset of £6,476 in relation to tax losses. This has not been provided as the directors do not consider it more likely than not that there will be a suitable future taxable profit against which the deferred tax asset can be offset.

5 Fixed asset investments

	31 December 2004 £
Investment in partnership	<u>980</u>

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.

6 Debtors

	31 December 2004 £
Amounts falling due within one year	
Amount due from group undertakings	
Called up share capital not paid	<u>1</u>
Amounts falling due after one year	
Amount due from group undertakings	<u>2,243,557</u>

Derbyshire Schools Phase Two Limited

7 Creditors: amounts falling due within one year

	31 December 2004 £
Amount due to group undertaking	<u>22,567</u>

8 Creditors: amounts falling due after one year

	31 December 2004 £
Amount due to parent company	<u>2,243,557</u>

9 Called up share capital

	31 December 2004 £
Authorised	
100 Ordinary shares of £1 each	<u>1</u>
Allotted and Called Up	
1 Ordinary shares of £1 each	<u>1</u>

10 Profit & loss account

	31 December 2004 £
Loss for the period	(21,587)
At 31 December	<u>(21,587)</u>

11 Reconciliation of movement in shareholders' deficit

	31 December 2004 £
New share capital subscribed	1
Loss for the period	(21,587)
Closing shareholders' deficit	<u>(21,586)</u>

12 Controlling Party

The directors regard Babcock & Brown Properties No.2 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.

13 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 £980 and the Company is liable for all other liabilities of the Partnership. The Derbyshire Schools Phase Two Partnership had net liabilities at 31 December 2004 of £21,028. The Partnership has long term bank debt in place to funds its activities.