Eastbrook Facilities Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2008

Registered Number 3817295

Eastbrook Facilities Limited

Financial Statements

For the Year Ended 31 December 2008

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Eastbrook Facilities Limited

Company Information

Directors	Michael Joseph Ryan (Resigned 19 March 2009) John McDonagh (Resigned 19 March 2009) Victoria Bradley (Appointed 19 March 2009) BIIF Corporate Services Ltd (Appointed 19 March 2009)
Company secretary	Infrastructure Managers Limited
Registered office	5th Floor 100 Wood Street London EC2V 7EX
Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors PO Box 90 Erskine House 68-73 Queen Street Edinburgh EH2 4NH
Bankers	Lloyds TSB Bank Plc 71 Lombard Street London EC3P 3BS
Solicitors	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD

Eastbrook Facilities Limited

The Directors' Report

For the Year Ended 31 December 2008

The Directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 December 2008.

Principal activities and business review

The company trades as a property developer and investor with the sole purpose of developing and operating a headquarters office investment in Cambridge for the Department of Environment, Food and Rural Affairs ("DEFRA") under the UK Government's Private Finance Initiative.

Results and dividends

The profit for the year, after taxation, amounted to £224,384 (2007: profit £889,681). The Directors have not recommended a dividend (2007: £nil).

The profit for the year will be transferred to reserves.

The results for the year are in line with budget. The directors anticipate that the Company will perform in line with budget in the coming financial year.

Key performance indicators

The performance of the company from a cash perspective is assessed on a six monthly basis by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The company has been performing well and has been compliant with the covenants laid out in the loan agreement.

Financial instruments

Details of the Company's financial risk management objectives and policies are included in note 1 to the accounts. The fair values of the financial instruments are included in note 14 to the accounts.

Directors

The Directors who served the Company during the year and up to the date of this report are listed on page 1.

Eastbrook Facilities Limited

The Directors' Report *(continued)*

For the Year Ended 31 December 2008

Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

The Directors' report was approved by the board on 14 Octobr 2009 and signed on its behalf by:

Simon Peck
For and on behalf of
Infrastructure Managers Limited
Company Secretary
Edinburgh

Eastbrook Facilities Limited

Statement of Directors' Responsibilities

For the Year Ended 31 December 2008

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 the year ended 31 December 2008. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

The Directors' responsibilities were approved by the board on 14 October 2009 and signed on its behalf by:

V Bradley

Victoria Bradley
Director

Eastbrook Facilities Limited

Independent auditor's report to the members of Eastbrook Facilities Limited

We have audited the financial statements of Eastbrook Facilities Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and 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 legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report and the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

Eastbrook Facilities Limited

Independent auditor's report to the members of Eastbrook Facilities 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 December 2008 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

14 October 2009

Eastbrook Facilities Limited

Profit and Loss Account

For the Year Ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	**3,480,924**	3,183,126
Cost of sales		**(937,902)**	(896,136)
Gross profit		**2,543,022**	2,286,990
Administrative expenses		**(108,127)**	(117,512)
Other operating income	3	**133,333**	133,333
Operating profit		**2,568,228**	2,302,811
Interest receivable	5	**103,334**	95,802
Interest payable and similar charges	6	**(1,960,817)**	(1,957,847)
Profit on ordinary activities before taxation		**710,745**	440,766
Tax on profit on ordinary activities	7	**(486,361)**	448,915
Profit for the financial year	17	**224,384**	889,681

The Company has no recognised gains and losses other than those included in the profit above, which all relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 10 to 18 form part of these financial statements.

Eastbrook Facilities Limited

Statement of Total Recognised Gains and Losses

For the Year Ended 31 December 2008

	2008	2007
	£	£
Profit for the financial year	**224,384**	889,681
Unrealised deficit on revaluation of investment properties	–	(2,350,000)
Total gains and losses recognised since the last annual report	**224,384**	(1,460,319)

The notes on pages 10 to 18 form part of these financial statements.

Eastbrook Facilities Limited

Balance Sheet

as at 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Investments	8	**28,650,000**	28,650,000
Current assets			
Debtors due within one year	9	**747,454**	1,155,614
Cash at bank		**1,986,925**	2,505,239
		2,734,379	3,660,853
Creditors: Amounts falling due within one year	10	**(1,533,671)**	(2,186,629)
Net current assets		**1,200,708**	1,474,224
Total assets less current liabilities		**29,850,708**	30,124,224
Creditors: Amounts falling due after more than one year	11	**(24,731,897)**	(25,267,243)
		5,118,811	4,856,981
Provisions for liabilities			
Deferred taxation	13	**(37,446)**	–
Net assets		**5,081,365**	4,856,981
Capital and reserves			
Share capital	15	**1,320,000**	1,320,000
Investments revaluation reserve	16	**683,239**	683,239
Profit and loss account	17	**3,078,126**	2,853,742
Equity shareholder's funds	18	**5,081,365**	4,856,981

These financial statements on pages 7 to 18 were approved by the Directors and authorised for issue on 14 October 2009 and are signed on their behalf by:

Victoria Bradley
Director

The notes on pages 10 to 18 form part of these financial statements.

Eastbrook Facilities Limited

Notes to the Financial Statements

For the Year Ended 31 December 2008

1. **Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on a going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow on-going obligations to be met as they fall due.

Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is small.

Turnover

Turnover which excludes value added tax represents the invoiced value of the unitary charge earned in relation to the provision of the building and services under the contract between the Company and the Department of Environment, Food and Rural Affairs ("DEFRA").

Investment properties

Investment properties are accounted for in accordance with Statement of Standard Accounting Practice No 19. Investment properties are revalued annually and the aggregate surplus or deficit is transferred to or from a revaluation reserve except where a deficit is deemed to represent a permanent impairment in the value of the property, in which event it is charged to the profit and loss account; and no amortisation is provided in respect of long leasehold investment properties.

Although the Companies Act 1985 would normally require the systematic annual amortisation of fixed assets, the directors believe that this policy of not providing amortisation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual amortisation. If this departure from the Act had not been made, the loss for the financial year would have been increased by amortisation. Amortisation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

1. **Accounting policies** ***(continued)***

Deferred taxation

Deferred tax is fully provided on timing differences recognised by the balance sheet date when the Company has an obligation to pay more or less tax in the future as a result of these timing differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The Company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by Financial Reporting Standard No 19 (Deferred Tax).

Financial Instruments

The company uses derivative financial instruments to manage exposures to fluctuations in interest rates. Amounts payable and receivable in respect of these derivates are recognised as adjustments to interest expense over the term of the contracts.

2. **Turnover**

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below:

	2008	2007
	£	£
United Kingdom	**3,480,924**	3,183,126

3. **Other operating income**

	2008	2007
	£	£
Other operating income	**133,333**	133,333

4. **Particulars of employees and directors**

The Directors did not receive any remuneration from the Company during the year (2007: £nil). There were no employees in the financial year other than the directors (2007: nil).

5. **Interest receivable**

	2008	2007
	£	£
Bank interest receivable	**103,334**	95,802

Eastbrook Facilities Limited

Notes to the Financial Statements

For the Year Ended 31 December 2008

6. Interest payable and similar charges

	2008	2007
	£	£
Interest payable on bank borrowing	**1,247,177**	1,276,904
Interest due to parent company	**658,658**	625,963
Amortisation of loan issue costs	**54,982**	54,980
	1,960,817	1,957,847

7. Taxation on ordinary activities

Analysis of charge in the year

	2008	2007
	£	£
Deferred tax:		
Origination and reversal of timing differences	**486,361**	(448,915)

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.50% (2007 - 30%).

	2008	2007
	£	£
Profit on ordinary activities before taxation	**710,745**	440,766
Profit on ordinary activities by rate of tax	**202,543**	132,230
Expenses not deductible for tax purposes	**-**	89
Capital allowances for year in excess of depreciation	**(260,932)**	(132,319)
Sundry tax adjusting items	**58,389**	-
Total current tax	**-**	-

8. Investments

	Leasehold land and buildings
	£
Cost or valuation	
At 1 January 2008 and 31 December 2008	**28,650,000**
Net book value	
At 31 December 2008	**28,650,000**
At 31 December 2007	28,650,000

8. **Investments** ***(continued)***

The leasehold land and buildings were revalued by Rushton International on the basis of market value at 28 May 2008. The directors consider that the valuation carried out in May 2008 continues to reflect the current market value. Interest was capitalised until the practical completion date and amounted to £1.17m.

9. **Debtors**

	2008	2007
	£	£
Trade debtors	**705,011**	658,446
Other debtors	**342**	342
Prepayments and accrued income	**42,101**	47,911
Deferred taxation (note 13)	**–**	448,915
	747,454	1,155,614

10. **Creditors:** Amounts falling due within one year

	2008	2007
	£	£
Bank loans	**558,508**	638,626
Trade creditors	**343,230**	264,860
Amounts owed to group undertakings	**333,730**	212,489
Other taxation	**46,420**	118,595
Other creditors	**75,000**	75,000
Accruals and deferred income	**176,783**	877,059
	1,533,671	2,186,629

Amounts owed to group undertakings consists of an amount due to immediate parent company.

The amounts owed to group undertakings are trading balances, are not interest bearing and are not repayable on demand.

Eastbrook Facilities Limited

Notes to the Financial Statements

For the Year Ended 31 December 2008

11. **Creditors:** Amounts falling due after more than one year

	2008	2007
	£	£
Bank loans	**17,698,912**	18,257,419
Amounts owed to group undertakings	**5,932,985**	5,776,490
	23,631,897	24,033,909
Accruals and deferred income	**1,100,000**	1,233,334
	24,731,897	25,267,243

a) The bank loans are secured by a charge over the company's shares. The loan is repayable under an instalment scheme whereby small repayments are made in the first few years of the loan. The full amount of loan drawdown at 31 December 2008 is £18,765,979 (2007: £19,459,585). Issue costs of £508,560 (2007: £563,540) have been set off against total loan drawdowns in line with Financial Reporting Standard No 4.

b) The subordinated loan, which bears a coupon of 11.25%, was issued to its immediate parent company Eastbrook Facilities Holdings Limited. The loan is due to be repaid on completion of the DEFRA contract, which is on a 30 year term with tenant optional breaks after years 15, 20 and 25. The coupon on the principal amount accrues daily and is payable in cash on 30 June and 31 December each year. Interest not settled by cash on these dates is added to the principal and the coupon accrues on this uplifted amount in the next interest period. Interest settled using this mechanism in the year was £156,495 (2007: £318,298). The amount is charged to the profit and loss account as interest payable (see note 6). The investment sum was advanced under a subordinated loan agreement and is therefore unsecured, and would rank alongside ordinary creditors in the event of a winding up.

Deferred income

	2008	**2007**
	£	**£**
Land contribution		
Opening balance	**1,233,334**	1,366,666
Amortised during the year	**(133,333)**	(133,333)
Closing balance	**1,100,001**	1,233,333

Land contribution of £1,499,999 to the company towards the capital costs of the works. This contribution was deferred and will be amortised over the life of the project.

Eastbrook Facilities Limited

Notes to the Financial Statements

For the Year Ended 31 December 2008

12. **Creditors - capital instruments**

Creditors include loans which is due for repayment as follows:

	2008	2007
	£	£
Amounts repayable:		
In one year or less or on demand	**558,508**	638,626
In more than one year but not more than two years	**711,466**	558,507
In more than two years but not more than five years	**2,349,336**	2,214,820
In more than five years	**20,571,094**	21,260,581
	24,190,404	24,672,534

13. **Deferred taxation**

The deferred tax included in the balance sheet is as follows:

	2008	2007
	£	£
Included in debtors (note 9)	**-**	(448,915)
Included in provisions	**37,446**	-
	37,446	(448,915)

The movement in the deferred taxation account during the year was:

	2008	2007
	£	£
Balance brought forward	**(448,915)**	-
Profit and loss account movement arising during the year	**486,361**	(448,915)
Balance carried forward	**37,446**	(448,915)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2008	2007
	£	£
Excess of taxation allowances over depreciation on fixed assets	**946,083**	402,352
Tax losses available	**(846,954)**	(786,406)
Short-term timing differences	**(61,683)**	(64,861)
	37,446	(448,915)

During the year, as a result of the change in UK Corporation Tax rate from 30% to 28% that will be effective from 1 April 2008, unrecognised deferred tax balances have been remeasured using the effective rate for the period (28%).

Eastbrook Facilities Limited

Notes to the Financial Statements

For the Year Ended 31 December 2008

14. **Financial risk management objectives and policies**

Due to the nature of the Company's business, the only financial risks the directors consider relevant to this Company is credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Liquidity risk

The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments that are carried in the financial statements at other than fair values:

	2008		2007	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£	**£**	£	£
Financial assets				
Interest rate swap	–	**2,854,919**		
Financial liabilities				
Long-term borrowing	**(18,765,979)**	**(21,620,898)**	(18,951,025)	(18,201,330)
Interest rate swap	–	–	–	(749,695)

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cash flows at the prevailing interest rates at the year end.

Eastbrook Facilities Limited

Notes to the Financial Statements

For the Year Ended 31 December 2008

15. **Share capital**

Authorised share capital:

	2008 £	2007 £
1,320,000 Ordinary shares of £1 each	**1,320,000**	1,320,000

Allotted, called up and fully paid:

	2008 No	2008 £	2007 No	2007 £
Ordinary shares of £1 each	**1,320,000**	**1,320,000**	1,320,000	1,320,000

16. **Investments revaluation reserve**

	2008 £	2007 £
Balance brought forward	**683,239**	3,033,239
Net decrease in fair value of investment properties	–	(2,350,000)
Balance carried forward	**683,239**	683,239

17. **Profit and loss account**

	2008 £	2007 £
Balance brought forward	**2,853,742**	1,964,061
Profit for the financial year	**224,384**	889,681
Balance carried forward	**3,078,126**	2,853,742

18. **Reconciliation of movements in shareholders' funds**

	2008 £	2007 £
Profit for the financial year	**224,384**	889,681
Net decrease in fair value of investment properties	–	(2,350,000)
Net addition/(reduction) to shareholders' funds	**224,384**	(1,460,319)
Opening shareholders' funds	**4,856,981**	6,317,300
Closing shareholders' funds	**5,081,365**	4,856,981

19. **Related party disclosures**

The directors have considered the provisions contained within FRS 8 and are satisfied that there are no further disclosures required.

Eastbrook Facilities Limited

Notes to the Financial Statements

For the Year Ended 31 December 2008

20. **Ultimate parent company**

The immediate parent company is Eastbrook Facilities Holdings Limited, a company registered in England and Wales.

The ultimate parent and controlling entity is Barclays Integrated Infrastructure Fund LP. Barclays Integrated Infrastructure Fund LP is owned by a number of investors, with no one investor having individual control.