

**PWCR Finance Limited**  
**Report and Financial Statements**

Registered number 4807872  
Year Ended 31 December 2005



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## Company Information

### Directors

T J Evans  
S L Gumm  
N M Leslau  
J C McMahon

### Secretary and registered office

S L Gumm, Cavendish House, 18 Cavendish Square, London W1G 0PJ

### Company number

4807872

### Auditors

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey KT17 1HS

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

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

### **Results and dividends**

The profit and loss account is set out on page 4 and shows a loss after tax for the year of £4,311,219 (2004: £648,761).

On 13 October 2005, the company paid dividends of £6,522,000 to its shareholder.

### **Principal activities, review of business and future developments**

The principal activity of the company is that of the provision of finance to fellow group companies which are involved in property investment activities. All operations are within the United Kingdom.

The directors are satisfied with the performance of the company for the year.

On 25 February 2005, the intercompany B loans were fully repaid by fellow group undertakings.

On 14 July 2005, a group company sold its interest in an investment property to a third party for an aggregate consideration of £42,130,000. These proceeds were used in part to settle the intragroup indebtedness of the property owning subsidiary to PWCR No 1 Limited under an inter-company loan facility provided to it on 31 December 2004.

As a result, the company was able to repay £31,002,664 of its Senior Loan secured bank debt and its remaining Mezzanine Loan secured bank debt, at that time of £7,900,230, by way of intragroup funding from PWCR No 1 Limited.

On 28 September 2005, another group company sold its interest in an investment property to a third party for an aggregate consideration of £57,630,000. These proceeds were used in part to settle the intragroup indebtedness of the property owning subsidiary to PWCR No 1 Limited under an inter-company loan facility provided to it on 31 December 2004. As a result, the company was able to repay a further £27,525,230 of its Senior Loan secured bank debt by way of intragroup funding from PWCR No 1 Limited.

On 13 October 2005, the company received dividends of £12,565,711 from its subsidiary undertaking.

### **Post balance sheet events**

There have been no events since the balance sheet date that materially effect the position of the company.

### **Directors**

The directors who held office during the year were:

T J Evans (appointed 28 July 2005)  
S L Gumm  
N M Leslau  
J C McMahon  
J G Whitehurst (resigned 30 June 2005)

No director had any interest in the share capital of the company during the year.

S L Gumm, N M Leslau and J C McMahon are also directors of the ultimate parent company, Prestbury West Coast Holdings Limited, and their interests in the share capital of that company, if any, are shown in its financial statements.

**Report of the directors for the year ended 31 December 2005 (continued)**

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and 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 for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

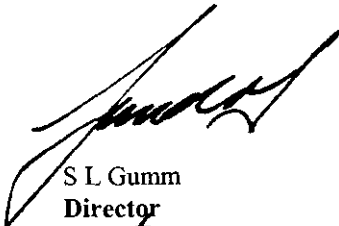
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

**Auditors**

BDO Stoy Hayward LLP, have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**On behalf of the Board**



S L Gumm  
Director  
26<sup>th</sup>  
October 2006

### Independent Auditor's Report To The Shareholders of PWCR Finance Limited

We have audited the financial statements of PWCR Finance Limited for the year ended 31 December 2005 on pages 4 to 12. These financial statements have been prepared under the accounting policies set out on page 7.

#### 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

*Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.*

#### Basis of audit opinion

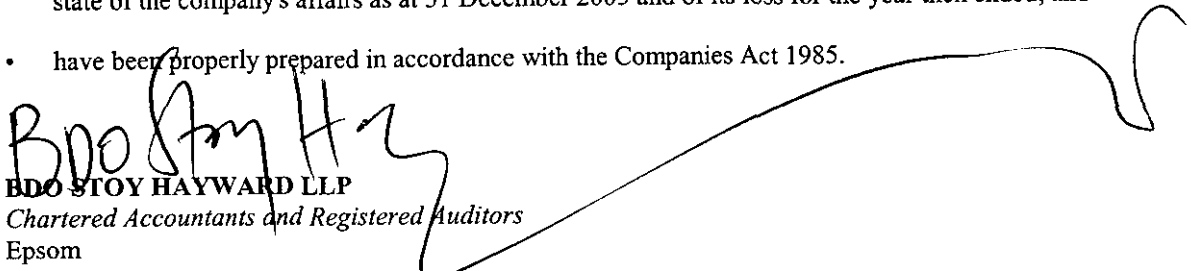
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

  
**BDO STOY HAYWARD LLP**  
Chartered Accountants and Registered Auditors  
Epsom

30 October 2006

## Profit and loss account

for the year 31 December 2005

	Note	Year to 31 December 2005 £	Year to 31 December 2004 £
Administration expenses		(113)	(463)
Dividends received from subsidiary undertaking		12,565,711	8,735,858
<b>Profit on ordinary activities before interest</b>		<b>12,565,598</b>	<b>8,735,395</b>
Interest receivable and similar income	2	84,661	1,685,881
Interest payable and similar charges	3	(16,985,646)	(11,620,970)
<b>Loss on ordinary activities before taxation</b>	4	<b>(4,335,387)</b>	<b>(1,199,694)</b>
Taxation on loss from ordinary activities	6	24,168	550,933
<b>Loss on ordinary activities after taxation</b>		<b>(4,311,219)</b>	<b>(648,761)</b>

All amounts relate to continuing activities.

There was no difference between historical cost loss and the reported loss on ordinary activities for the year.

There were no recognised gains or losses other than as shown above.

The notes on pages 7 to 12 form part of these financial statements.

**Reconciliation of movements in shareholders' deficit**  
*for the year 31 December 2005*

	Year to 31 December 2005 £	Year to 31 December 2004 £
Loss for the financial year	(4,311,219)	(648,761)
Dividends	(6,522,000)	-
	<hr/>	<hr/>
Net movement in shareholders' deficit	(10,833,219)	(648,761)
Opening shareholders' deficit	(2,024,041)	(1,375,280)
	<hr/>	<hr/>
Closing shareholders' deficit	(12,857,260)	(2,024,041)
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The notes on pages 7 to 12 form part of these financial statements.

## Balance sheet

as at 31 December 2005

	Note	2005 £	2005 £	2004 £	2004 £
<b>Fixed assets</b>					
Investment in subsidiary undertaking	8		220,531,016		220,531,016
Right to receive shares in group company	9		-		-
			<u>220,531,016</u>		<u>220,531,016</u>
<b>Current assets</b>					
Debtors due within one year	10	32,203		4,066,118	
Cash at bank and in hand	11	676,536		3,122,557	
		<u>708,739</u>		<u>7,188,675</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(74,539)</u>		<u>(1,977,906)</u>	
<b>Net current assets</b>			<u>634,200</u>		<u>5,210,769</u>
<b>Total assets less current liabilities</b>			<u>221,165,216</u>		<u>225,741,785</u>
<b>Creditors: amounts falling due after more than one year</b>	13		<u>(234,022,476)</u>		<u>(227,765,826)</u>
<b>Net liabilities</b>			<u>(12,857,260)</u>		<u>(2,024,041)</u>
<b>Capital and reserves</b>					
Called up share capital	16		1		1
Profit and loss account	17		<u>(12,857,261)</u>		<u>(2,024,042)</u>
<b>Shareholders' deficit</b>			<u>(12,857,260)</u>		<u>(2,024,041)</u>

The financial statements were approved by the Board and authorised for issue on 26<sup>th</sup> October 2006.

  
S L Gumm  
Director

The notes on pages 7 to 12 form part of these financial statements.

## Notes forming part of the financial statements for the year ended 31 December 2005

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group. The consolidated financial statements of Prestbury West Coast Holdings Limited, within which this company is included, can be obtained from the address given in note 20.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### *Investments in subsidiary undertakings*

Investments in subsidiary undertakings are stated at cost.

#### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when they are paid. Final equity dividends are recognised when approved by shareholders at an annual general meeting.

### 2 Interest receivable and similar income

	Year to 31 December 2005 £	Year to 31 December 2004 £
Interest receivable on bank balances	58,572	123,369
Interest receivable on loans to fellow group undertakings	26,089	875,512
Hedging break gains	-	687,000
	<u>84,661</u>	<u>1,685,881</u>

### 3 Interest payable and similar charges

	Year to 31 December 2005 £	Year to 31 December 2004 £
On bank loans	2,865,371	8,607,533
Amortisation of finance costs	971,925	2,088,851
Loan monitoring fees	40,489	85,489
Loan prepayment fees	249,838	837,603
LIBOR break costs	7,799	1,494
On amounts due to fellow group undertakings	12,850,224	-
	<u>16,985,646</u>	<u>11,620,970</u>

**Notes forming part of the financial statements for the year ended 31 December 2005 (continued)**

**4 Loss on ordinary activities before taxation**

All losses relate to the company's activities as a finance company and are derived wholly within the United Kingdom.

The auditors' remuneration is borne by the immediate parent company.

**5 Employees and directors**

The average number of employees during the year, excluding directors, was nil (2004: nil).

No director received any emoluments from the company during the year (2004: none).

**6 Taxation on loss from ordinary activities**

	Year to 31 December 2005 £	Year to 31 December 2004 £
<i>Current tax</i>		
UK corporation tax on profits	-	-
Amounts receivable for group relief surrendered	(24,168)	(550,933)
Current tax credit	<u>(24,168)</u>	<u>(550,933)</u>

The tax assessed for the year varies from the standard rate of corporation tax in the UK. A reconciliation is provided below:

	Year to 31 December 2005 £	Year to 31 December 2004 £
Loss on ordinary activities before taxation	<u>(4,335,387)</u>	<u>(1,199,694)</u>
Tax on ordinary activities at the standard rate of UK corporation tax of 30%	(1,300,616)	(359,908)
Effects of:		
Dividends receivable – non-taxable	(3,769,713)	(2,620,757)
Non-trade financial losses brought forward and utilised	-	(370,847)
Group relief surrendered to fellow group companies	4,893,581	-
Non-trade financial losses carried forward	152,580	2,800,579
Current tax credit	<u>(24,168)</u>	<u>(550,933)</u>

**7 Dividends**

	Year to 31 December 2005 £	Year to 31 December 2004 £
Dividend paid of £6,522,000 (2004: £nil) per share	<u>6,522,000</u>	<u>-</u>

**Notes forming part of the financial statements for the year ended 31 December 2005 (continued)**

**8 Investment in subsidiary undertaking**

	2005 £	2004 £
<i>At cost</i>		
At 1 January	220,531,016	-
Additions	-	220,531,016
At 31 December	<u>220,531,016</u>	<u>220,531,016</u>

*Subsidiary undertaking*

The following company was a subsidiary undertaking at the end of the year:

Name	Country of incorporation	Proportion of voting rights and equity share capital held	Nature of business
PWCR No 1 Limited	England	97.06%	Intermediate holding company

The remaining interest in the issued share capital of PWCR No.1 Limited is held by Prestbury West Coast Rice Limited.

**9 Right to receive shares in a group company**

On 12 November 2003, PWCR Finance Limited entered into three forward contracts with PWCR No 1 Limited which, amongst other things, gave PWCR No. 1 Limited the future entitlement to receive payment of loans to the value of £218,853,580 and interest accruing thereon previously owing to PWCR Finance Limited from other companies within the group. In return, PWCR No. 1 Limited was to issue shares of the same value to PWCR Finance Limited, and it was this entitlement to the future receipt of shares that was being recognised as an asset, at an amount of £220,531,016 in the company's balance sheet as at 31 December 2003.

The original forward contract completion date was 24 February 2005 in respect of all three forward contracts, but, all share issues and loan assignments arising under the terms of these contracts took place by 31 December 2004, as a result of property disposals made by the group and the early closing out of any remaining loan contracts.

**10 Debtors**

	2005 £	2004 £
<i>Due within one year</i>		
Prepayments and accrued income	8,035	145,055
Intercompany B loans	-	3,370,130
Amounts due from fellow group undertakings	24,168	550,933
	<u>32,203</u>	<u>4,066,118</u>

The intercompany B loans were unsecured and bore interest at rates of between 5.5% and 7.98%. These loans matured and were repaid in February 2005.

**Notes forming part of the financial statements for the year ended 31 December 2005 (continued)**

**11 Cash at bank and in hand**

Included within the company's cash balance at 31 December 2005 is £500,986 (2004: £458,965) of cash held in accounts held as security by the provider of the secured debt.

**12 Creditors: amounts falling due within one year**

	2005	2004
	£	£
Current portion of secured bank debt (note 13)	-	1,006,879
Accruals and deferred income	74,539	971,027
	<u>74,539</u>	<u>1,977,906</u>

**13 Creditors: amounts falling due after more than one year**

	2005	2004
	£	£
<b>Secured bank loans:</b>		
Senior loan	7,000,000	67,504,048
Mezzanine loan	-	8,587,469
	<u>7,000,000</u>	<u>76,091,517</u>
Prepaid finance fees	(113,630)	(1,034,623)
	<u>6,886,370</u>	<u>75,056,894</u>
Less secured debt due within one year	-	(1,006,879)
	<u>6,886,370</u>	<u>74,050,015</u>
Total bank debt net of prepaid finance fees	227,136,106	153,715,811
Amounts due to immediate parent company	<u>234,022,476</u>	<u>227,765,826</u>
	<u>2005</u>	<u>2004</u>
	£	£
<b>Secured bank loans are due:</b>		
Within one year	-	1,006,879
In more than one year but not more than two years	-	991,861
In more than two years but not more than five years	7,000,000	74,092,777
	<u>7,000,000</u>	<u>76,091,517</u>

The bank loans are secured principally by charges over an investment property (2004: properties) held by a fellow group company (2004: companies) and over the shares in certain group companies. These fellow group companies entered into cross-guarantee arrangements with the company, in a previous year.

The strategy of the company and the group of which it is a member in respect of the use of financial instruments is to hedge future interest rate risk for the term of the loan to ensure that expected loan balances are fully hedged.

The bank loans bear interest at 3 month LIBOR plus a lenders' blended margin. Interest has been fixed by way of purchases of interest rate hedging products (swaps (2004: and a swaption)).

Amounts due to immediate parent company are unsecured, bear interest at a rate of 7.21% and has no fixed repayment date. Accrued interest of £12,850,224 (2004: £nil) is included in the above figure.

**Notes forming part of the financial statements for the year ended 31 December 2005 (continued)**

**14 Financial instruments**

The following financial instruments were in place at 31 December 2005:

	Protected		31 December 2005	31 December 2004
	rate		Market value gain	Market value gain
	%	Expiry	pre-tax	pre-tax
			£	£
£nil (2004: £32,752,756) amortising swap	4.26	July 2008	-	666,000
£nil (2004: £5,817,251) amortising swap	4.24	July 2008	-	66,000
£7,000,000 (2004: £27,261,683) (2004: amortising) swap	4.25	July 2008	45,000	439,000
£nil (2004: £11,059,492) amortising swap	4.26	July 2008	-	168,000
<b>Total net gain pre tax</b>			<b>45,000</b>	<b>1,339,000</b>
<b>Total net gain post tax</b>			<b>31,500</b>	<b>937,300</b>

The market values of our hedging portfolio change with interest rate fluctuations, but the exposure of the company and its immediate group to movements in interest rates is protected by way of the hedging products listed above. In accordance with accounting standards, the valuations are struck using a mid-market interest rate. The valuation therefore does not reflect the cost or gain to the group of cancelling its interest rate protection at 31 December 2005, which is generally a marginally higher cost (or smaller gain) than a market valuation.

The company has taken advantage of the exemptions in the Financial Reporting Standard 13, "Derivatives and other financial instruments" whereby short-term debtors and creditors are excluded from the preceding disclosures. All monetary assets and liabilities are denominated in Sterling.

**15 Provisions for liabilities and charges and unprovided deferred tax asset**

	Unprovided	Provided
	31 December	31 December
	2005	2005
	£	£
<i>Analysis of deferred tax</i>		
Non-trade financial losses	2,315,267	-
Excess management expenses	88	-
	<b>2,315,355</b>	
	Unprovided	Provided
	31 December	31 December
	2004	2004
	£	£
<i>Analysis of deferred tax</i>		
Non-trade financial losses	2,800,436	-
Excess management expenses	143	-
	<b>2,800,579</b>	
Unprovided deferred tax asset		

Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

**16 Called up share capital**

	2005 £	2004 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1

**17 Profit and loss account**

	Profit and loss account 2005 £
At 1 January 2005	(2,024,042)
Loss for the year	(4,311,219)
Dividend	(6,522,000)
At 31 December 2005	(12,857,261)

**18 Related party transactions**

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Transactions", not to disclose details of any transactions with entities that are included in the consolidated financial statements of Prestbury West Coast Holdings Limited.

**19 Cash flow statement**

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement, as a consolidated cash flow statement is included in the financial statements of its ultimate parent company.

**20 Controlling party information**

The company's immediate parent company is Prestbury West Coast Rice Limited. The company's ultimate parent company is Prestbury West Coast Holdings Limited. Both of these companies are incorporated in England and Wales. The consolidated accounts of the ultimate parent company and the immediate parent company are available to the public and may be obtained from the company secretary, Cavendish House, 18 Cavendish Square, London W1G 0PJ.