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SFM Corporate Services Limited
as Secretary

AIRE VALLEY FUNDING 3 PLC

(Formerly Waveangel Public Limited Company)

Directors' Report and Financial Statements 2005

Registered number: 5154132

31 December 2005



Company Information

Directors

Christopher Donald Gillespie
SFM Directors Limited
SFM Directors (No.2) Limited

Company Secretary

SFM Corporate Services Limited

Registered Office

35 Great St Helen's
London
EC3A 6AP

Auditor

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' Report and Financial Statements

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Directors' Report for the year ended 31 December 2005

The Directors present their Report and Financial Statements for the year ended 31 December 2005.

Principal activity

Aire Valley Funding 3 Plc ("the Company") is a public limited company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales. The Company was incorporated on 15 June 2004 under the name of Waveangel Public Limited Company and subsequently changed its name to Aire Valley Funding 3 Plc.

Aire Valley Holdings Limited holds two £1 ordinary fully paid shares in the Company. These shares comprise the entire issued share capital of the Company.

Business review

The Company has not traded since incorporation.

Dividend

The Directors do not recommend the payment of a final dividend for the year (2004: £nil).

Directors

The Directors who served during the year were as follows:

Rosemary Prudence Thorne	(Resigned 29 November 2005)
Christopher Donald Gillespie	(Appointed 29 November 2005)
SFM Directors Limited	
SFM Directors (No.2) Limited	

Rosemary Thorne, Christopher Gillespie, SFM Directors Limited and SFM Directors (No.2) Limited are or have been Directors of Aire Valley Holdings Limited. No Director had any interest in the loan or share capital of Aire Valley Holdings Limited, or any of its subsidiaries, at any time during the year.

International Financial Reporting Standards

Aire Valley Holdings group and subsidiaries, including Aire Valley Funding 3 PLC, have adopted International Financial Reporting Standards ("IFRS") with effect from 1 January 2005 and the 2004 comparative financial information has also been presented in accordance with IFRS; no adjustments were required to restate 2004 information from UK GAAP to IFRS.

Political and charitable contributions

During the year no political or charitable contributions were made (2004: £nil).

Auditor

KPMG Audit Plc was appointed auditor of the Company on 27 July 2005. In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



SFM Corporate Services Limited
Company Secretary

31 July 2006

Statement of Directors' Responsibilities in respect of the Directors' Report and Financial Statements

The Directors are responsible for preparing the Directors' Report and 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 IFRS as adopted by the EU.

The Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the 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 they have been prepared in accordance with IFRS as adopted by the EU; 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 enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Aire Valley Funding 3 Plc

We have audited the Financial Statements of Aire Valley Funding 3 Plc for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. 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 auditor's 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 Auditor

As described in the Statement of Directors' Responsibilities set out on page 5 the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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 whether the Financial Statements have been 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 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, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
31 July 2006

1 The Embankment
Neville Street
Leeds
LS1 4DW

Income Statement for the year ended 31 December 2005

During the financial year and the previous financial period, the Company received no income and incurred no expenditure. Consequently during this year and the previous financial period the Company made neither a profit nor a loss and had no other recognised income or expense.

Balance Sheet as at 31 December 2005

	Note	2005 £	2004 £
Loans and advances to banks		12,502	2
Total current assets		<u>12,502</u>	<u>2</u>
Total assets		<u>12,502</u>	<u>2</u>
Equity			
Capital and reserves attributable to equity holders:			
Share capital	3	12,502	2
Retained earnings		-	-
Total attributable equity		<u>12,502</u>	<u>2</u>
Total equity and liabilities		<u>12,502</u>	<u>2</u>

The notes on pages 11 and 12 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 31 July 2006 and signed on its behalf by:



per pro SFM Directors Limited
as Director

Director

31 July 2006

Statement of Changes in Equity

	Retained Earnings £000	Share Capital £000	Total Equity £000
As at 1 January 2005	-	2	2
Issue of share capital	-	12,500	12,500
Profit for the year	-	-	0
As at 31 December 2005	<u>-</u>	<u>12,502</u>	<u>12,502</u>
On incorporation at 15 June 2004	-	-	-
Issue of share capital	-	2	2
Changes upon transition to IFRS (see note 1)	-	-	-
As at 15 June 2004 as restated under IFRS	<u>-</u>	<u>2</u>	<u>2</u>
Profit for the period	-	-	-
As at 31 December 2004	<u>-</u>	<u>2</u>	<u>2</u>

The notes on pages 11 and 12 form part of these Financial Statements.

Cash Flow Statement for the period ended 31 December

	2005	2004
	£	£
Cashflows from operating activities		
Profit for the financial period	-	-
Net cash from operating activities	-	-
Cash flows from financing activities:		
Issue of shares	12,500	2
Net cash from financing activities	12,500	2
Cash and cash equivalents at beginning of period	2	-
Cash and cash equivalents at end of period	12,502	2
Represented by cash and assets with original maturity of 3 months or less within:		
Loans and advances to banks	12,502	2
	12,502	2

The notes on pages 11 and 12 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2005**1. Significant accounting policies**

Aire Valley Funding 3 Plc (the "Company") is a company incorporated in the UK under the Companies Act 1985 and registered in England and Wales. The Company was incorporated on 15 June 2004.

(a) Statement of compliance

The Company Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

The Company is preparing its Financial Statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. The transition to IFRS had no significant impact on the Company's reported 2004 result or Balance Sheet.

(b) Basis of preparation

The Financial Statements are prepared on the historical cost basis.

The Financial Statements are presented in pounds sterling, which is the currency of the Company's primary operating environment.

These accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements and in preparing an opening Balance Sheet at 15 June 2004 for the purposes of the transition to Adopted IFRS.

(c) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances which had an original maturity of three months or less.

Notes to the Financial Statements for the year ended 31 December 2005 (continued)

2 Employees and directors' emoluments

There were no employees during the year and none of the Directors received emoluments in respect of their services to the Company.

3 Called up share capital

	2005 Shares	2005 £	2004 Shares	2004 £
Authorised				
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Allotted and Issued				
Ordinary shares of £1 each fully paid				
As at start of period	2	2	-	-
Issued during the period	-	-	2	2
As at 31 December	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Ordinary shares of £1 each, 25p paid				
As at start of period	-	-	-	-
Issued during the period	<u>49,998</u>	<u>12,500</u>	-	-
As at 31 December	<u>49,998</u>	<u>12,500</u>	-	-
Total as at 31 December	<u>50,000</u>	<u>12,502</u>	<u>2</u>	<u>2</u>

The ordinary shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up.

4 Ultimate parent undertaking

The immediate parent undertaking of Aire Valley Funding 3 Plc is Aire Valley Holdings Limited, a Company incorporated and registered in England and Wales.

The ultimate parent undertaking of Aire Valley Funding 3 Plc is SFM Corporate Services Limited, a Company incorporated and registered in England and Wales, which holds the shares of Aire Valley Holdings Ltd on a discretionary trust basis for charitable purposes.

Copies of the consolidated accounts of Aire Valley Holdings Limited and SFM Corporate Services Limited may be obtained from the Company Secretary at 35 Great St. Helen's, London EC3A 6AP.

5 Related party disclosures

The Company had no transactions with related parties during the financial year or the preceding financial period.

6 Transition to IFRS

On transition to Adopted IFRS, no adjustments were required to restate the Company's 2004 financial information, including its opening Balance Sheet.

7 Financial instruments

The Company's assets are carried at amortised cost, and their fair values approximate to their carrying values. The Company's maximum exposure to credit risk at 31 December 2005 was £12,502. The Company's assets are all deposited with a single entity.