

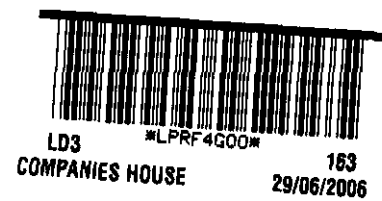
**Prestbury SX Limited**

Report and Financial Statements

Period ended

30 September 2005

Company No 05423413



# **PRESTBURY SX LIMITED**

## **Report and financial statements for the period ended 30 September 2005**

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### **Directors**

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

### **Secretary and registered office**

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

### **Company number**

05423413

### **Auditors**

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

## **PRESTBURY SX LIMITED**

### **Report of the directors for the period ended 30 September 2005**

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The directors present their report together with the audited financial statements for the period ended 30 September 2005.

#### **Date of incorporation**

The company was incorporated on 13 April 2005.

#### **Results and dividends**

The results of the group for the period are set out in the profit and loss account on page 6 and show a loss after tax for the period of £1,811,890.

The directors do not recommend the payment of a dividend.

The results relate to the period from the date of incorporation, 13 April 2005 to 30 September 2005.

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

The principal activity of the group is that of property investment in the United Kingdom.

On 28 April 2005, the company exchanged contracts to acquire the entire issued share capital of Southern Cross Equityco Limited and its subsidiaries. The indirect subsidiaries of this company hold a portfolio of 21 nursing home investment properties. On 6 May 2005 the acquisition was completed. The acquisition was financed by a £92.93 million secured bank loan facility with the balance provided by shareholders' loans.

The directors are satisfied with the performance of the group in the period.

#### **Post balance sheet events**

On 19 October 2005, the shareholders of the company entered into a share exchange agreement with PSX Holdings Limited, which is now the company's ultimate parent entity.

On 7 December 2005, the group paid the deferred consideration of £1.65 million in respect of its acquisition of a leasehold interest in an investment property in May 2005. This was financed by a further secured bank facility.

#### **Directors**

The directors who held office during the period were:

N M Leslau	(appointed 13 April 2005)
S L Gumm	(appointed 13 April 2005)
T J Evans	(appointed 26 April 2005)
J C McMahon	(appointed 25 April 2005)
I S Mackintosh	(appointed 26 April 2005; resigned 26 July 2005)
B S Anderson	(appointed 28 July 2005)
Instant Companies Limited	(appointed 13 April 2005; resigned 13 April 2005)

No director had any interest in the share capital of the company during the period, except for Instant Companies Ltd which held the initial subscriber share until 13 April 2005.

#### **Disclosure of information to auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group 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; and
- \* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

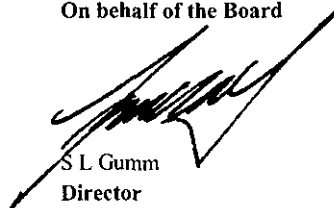
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

**Auditors**

BDO Stoy Hayward LLP, who were appointed as first auditors of the company, 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 groups.

**On behalf of the Board**



S L Gumm  
Director

20th June 2006

## PRESTBURY SX LIMITED

### Report of the independent auditors

#### To the shareholders of Prestbury SX Limited

We have audited the group and parent company financial statements (the "financial statements") of Prestbury SX Limited for the period ended 30 September 2005 on pages 6 to 23. These financial statements have been prepared under the accounting policies set out on pages 11 to 12.

#### *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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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 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*

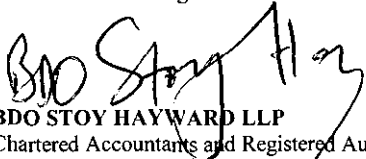
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 September 2005 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2005;
- 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.

  
BDO STOY HAYWARD LLP  
Chartered Accountants and Registered Auditors  
Epsom

26 June

2006

**PRESTBURY SX LIMITED****Consolidated profit and loss account for the period ended 30 September 2005**

	Notes	Period from 13 April 2005 to 30 September 2005 £
<b>Turnover</b>	2	2,520,071
Cost of sales - direct property costs		(4,451)
<b>Gross profit</b>		2,515,620
Administrative expenses		(44,500)
Amortisation of goodwill	8	(34,713)
<b>Operating profit</b>	3	2,436,407
Interest receivable		26,556
Interest payable and similar charges	5	(2,509,756)
<b>Loss on ordinary activities before taxation</b>		(46,793)
Taxation on loss on ordinary activities	6	(1,765,097)
<b>Retained loss for the period</b>	15	(1,811,890)

All amounts relate to continuing activities, arising from property acquisitions in the period.

There were no differences between historical cost loss and reported loss on ordinary activities for the period.

The notes on pages 11 to 23 form part of the financial statements.

**PRESTBURY SX LIMITED**

**Consolidated statement of total recognised gains and losses and consolidated reconciliation of movements in shareholders' funds for the period ended 30 September 2005**

		Period from 13 April 2005 to 30 September 2005 £
<b>Consolidated statement of total recognised gains and losses</b>	<b>Note</b>	
Retained loss for the period	15	(1,811,890)
Unrealised surplus on revaluation of investment properties	15	<u>6,990,000</u>
<b>Total recognised gains and losses for the period</b>		<u><u>5,178,110</u></u>
 <b>Consolidated reconciliation of movements in shareholders' deficit</b>		
Retained loss for the period	15	(1,811,890)
Ordinary shares issued	14	10,000
Revaluation surplus	15	<u>6,990,000</u>
Net increase in shareholders' funds		5,188,110
At incorporation		<u>-</u>
<i>Closing shareholders' funds</i>		<u><u>5,188,110</u></u>

The notes on pages 11 to 23 form part of the financial statements.

**PRESTBURY SX LIMITED**

**Consolidated balance sheet at 30 September 2005**

	Note	30 September 2005 £	30 September 2005 £
<b>Intangible assets: Goodwill</b>	8		1,631,513
<b>Fixed assets</b>			
Investment properties	9		107,040,000
			<u>108,671,513</u>
<b>Current assets</b>			
Debtors due within one year	10	1,626,020	
Debtors due after more than one year	10	-	
Cash at bank and in hand		<u>334,680</u>	
		1,960,700	
<b>Creditors: amounts falling due within one year</b>	11	<u>(5,253,630)</u>	
<b>Net current liabilities</b>			(3,292,930)
<b>Total assets less current liabilities</b>			<u>105,378,583</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(100,190,473)
<b>Net assets</b>			<u>5,188,110</u>
<b>Capital and reserves</b>			
Called up share capital	14		10,000
Revaluation reserve	15		6,990,000
Profit and loss account	15		<u>(1,811,890)</u>
<b>Equity shareholders' funds</b>			<u>5,188,110</u>

The financial statements were approved by the Board on 20th June 2006.

  
S L Gurng  
Director

The notes on pages 11 to 23 form part of the financial statements.



**PRESTBURY SX LIMITED**

Company balance sheet at 30 September 2005

	Note	30 September 2005 £	30 September 2005 £
<b>Fixed assets</b>			
Investments in subsidiaries	9		2,383,200
<b>Current assets</b>			
Debtors due within one year	10	3,624	
Debtors due after more than one year	10	98,355,127	
Cash at bank and in hand		334,680	
		<u>98,693,431</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,025,308)</u>	
<b>Net current assets</b>			<u>96,668,123</u>
<b>Total assets less current liabilities</b>			99,051,323
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(100,274,782)</u>
<b>Net liabilities</b>			<u>(1,223,459)</u>
<b>Capital and reserves</b>			
Called up share capital	14		10,000
Profit and loss account	15		<u>(1,233,459)</u>
<b>Equity shareholders' deficit</b>			<u>(1,223,459)</u>

The financial statements were approved by the Board on 20th June 2006.

  
S L Gumm  
Director

The notes on pages 11 to 23 form part of the financial statements.

**PRESTBURY SX LIMITED**

**Consolidated cash flow statement for the period ended 30 September 2005**

	Note	Period from 13 April 2005 to 30 September 2005 £	Period from 13 April 2005 to 30 September 2005 £
<b>Net cash inflow from operating activities</b>	18		1,615,738
<b>Returns on investments and servicing of finance</b>			
Interest received		26,556	
Interest and other finance costs paid		<u>(1,257,521)</u>	
<b>Net cash outflow from returns on investment and servicing of finance</b>			(1,230,965)
<b>Capital expenditure and financial investment</b>			
Purchase of subsidiary undertakings		(3,879,048)	
Cash acquired with subsidiaries		<u>20,000</u>	
<b>Net cash outflow from capital expenditure and financial investment</b>			<u>(3,859,048)</u>
<b>Cash outflow before management of liquid resources and financing</b>			(3,474,275)
<b>Financing</b>			
Issue of shares for cash		10,000	
Bank loans drawn down net of capitalised finance costs		88,130,215	
Repayment of bank loans		(241,073)	
Repayment of net debt acquired		(96,835,550)	
Shareholder loans received		<u>12,745,363</u>	
<b>Cash inflow from financing</b>			<u>3,808,955</u>
<b>Increase in cash</b>	20		<u><u>334,680</u></u>

The notes on pages 11 to 23 form part of the financial statements.

**1 Accounting policies**

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

*Basis of preparation*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and are in accordance with applicable accounting standards.

*Basis of consolidation*

The consolidated financial statements incorporate the results of Prestbury SX Limited and all of its subsidiary undertakings as at 30 September 2005, using the acquisition method of accounting. For investments in subsidiary undertakings accounted for using the acquisition method, their results are included from the date of their acquisition.

*Goodwill on consolidation*

Goodwill (representing the excess of the purchase consideration over the fair value of the separate net assets acquired on the acquisition of subsidiary undertakings) arising on consolidation is capitalised and amortised on a straight line basis over its useful economic life of 20 years.

Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

*Turnover*

Turnover represents rents receivable during the period from investment properties.

*Investment properties*

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual valuation. Aggregate surpluses or deficits arising on valuation are transferred to the revaluation reserve. Permanent diminutions in the value of properties are charged directly to the profit and loss account.

Additions to investment properties include only costs of a capital nature. Costs such as interest and other property outgoings are treated as revenue expenditure and are written off as incurred.

In accordance with SSAP 19 (as amended), no depreciation or amortisation is provided in respect of freehold or long leasehold investment properties. This treatment is a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, the group's investment properties are held not for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

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**1 Accounting policies (*Continued*)**

*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:

- \* deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is unable to utilise existing capital losses; and
- \* the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

*Investment in subsidiary undertakings*

Investments in subsidiary undertakings are stated at cost. Any permanent diminution in value is written off to the profit and loss account.

*Cash*

For the purposes of the cash flow statement, cash comprises cash in hand and deposits repayable on demand and liquid resources consist of cash deposits not repayable on demand without penalty.

*Financial instruments*

The group does not trade in derivative financial instruments. Hedging instruments are used to protect the group's exposure to movements in interest rates. Gains or losses are not recognised in the accounts until the related interest in the hedging instrument is realised.

*Loan issue and hedging costs*

Costs relating to the raising of bank loan facilities, including the costs associated with the purchase of hedging instruments, are amortised over the life of the loan or hedging instrument as appropriate and charged to the profit and loss account as part of the group's financing costs. The bank loans are disclosed net of the unamortised loan issue and hedging costs.

**2 Turnover**

Turnover is wholly attributable to the principal activity of the group and arises solely in the United Kingdom.

	Period from 13 April 2005 to 30 September 2005 £
<b>3 Operating profit</b>	

This is arrived at after charging:

Auditors' remuneration

- audit services (group)

35,500

In addition to audit fees, £47,000 was paid to the auditors for due diligence reports on the corporate acquisition in May 2005 which has been capitalised as a cost of acquisition. An additional £5,800 was paid for financial assistance work on the corporate acquisition in May 2005 which has been included in prepaid finance fees.

Included in the group audit fee is an amount of £20,000 in respect of the company.

**4 Employees and directors**

The average number of employees of the group during the period, excluding directors, was nil.

No director received any emoluments from the group during the period.

	Period from 13 April 2005 to 30 September 2005 £
<b>5 Interest payable and similar charges</b>	

On bank loans

2,372,119

Other finance costs

57,056

Amortisation of prepaid finance fees

80,581

2,509,756

## 6 Taxation

Period from 13  
April 2005 to 30  
September 2005

<b>Profit and loss account</b>	<b>£</b>
<i>Current tax</i>	
UK corporation tax on loss	-
Total current tax	-
<i>Deferred tax</i>	
Origination of timing differences-non-trade financial losses to be utilised	3,624
Amount provided against deferred tax asset in respect of acquired capital losses	(1,768,721)
Taxation on loss on ordinary activities	(1,765,097)

The tax assessed for the period varies from the standard rate of corporation tax in the UK. The differences are explained below:

Period from 13  
April 2005 to 30  
September 2005  
£

Loss on ordinary activities before tax	(46,793)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(14,038)
Effects of:	
Items not taxable:	
Amortisation of goodwill	10,414
Recognition of deferred tax asset in respect of non-trade financial losses to be utilised	3,624
Current tax for period	-

## Movements in deferred taxation asset (in respect of acquired capital losses)

Group  
£

At incorporation	-
Acquisition of company	1,768,721
Amount provided against deferred tax asset	(1,768,721)
At 30 September 2005 – included in debtors	-

## Analysis of unprovided deferred tax assets/(liabilities)

	Group 2005 Unprovided £	Company 2005 Unprovided £
Trade losses and management expenses	-	-
Non-trade financial losses	-	-
On the inherent capital gain arising on the carrying value of investment properties	21,484,948	-
	<u>21,484,948</u>	<u>-</u>

**7 Loss for the financial period**

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the period includes a loss after tax of £1,233,459 which is dealt with in the financial statements of the parent company.

**8 Intangible assets - Group only****Goodwill on consolidation  
£**

Arising on acquisition of subsidiary (note 21) - cost	1,666,226
Amortised in the period	(34,713)

At 30 September 2005 - net book value	<u>1,631,513</u>
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**9 Fixed assets**

Investment properties - group	Long leasehold land and buildings £	Freehold land and buildings £	Land and buildings total £
<i>Cost or valuation</i>			
Additions arising through acquisition of subsidiaries in period, at fair value including associated costs (note 21)	3,300,000	96,750,000	100,050,000
Surplus on revaluation	350,000	6,640,000	6,990,000
At 30 September 2005	<u>3,650,000</u>	<u>103,390,000</u>	<u>107,040,000</u>

At 30 September 2005 the group's investment properties were valued at £107,040,000 on an open market basis by Nick Leslau BSc MRICS, a Chartered Surveyor and director of the company. The historical cost of the properties to the group is £100,050,000.

The investment properties are held as security by a fixed charge in respect of bank borrowings provided to the company.

**Investments in subsidiary undertakings - company****Subsidiary  
undertakings  
£***Cost and net book value:*

Additions - shares in subsidiaries acquired inclusive of acquisition costs	4,151,921
Amount provided against investment in subsidiary in the year	(1,768,721)
At 30 September 2005	<u>2,383,200</u>

*Subsidiary undertakings*

The following were subsidiary undertakings at the end of the period and have all been included in the consolidated financial statements:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Southern Cross Equityco Limited*	England	100%	Intermediate holding company
Southern Cross Bondco Limited**	England	100%	Intermediate holding company
Southern Cross CCLN Co Ltd***	England	100%	Intermediate holding company
Southern Cross Propco Holdco Limited****	England	100%	Intermediate holding company
Southern Cross Propco Limited*****	England	100%	Property investment
Screenbook Limited*****	England	100%	Property investment
Blaxmill (Thirty-Nine) Limited*	England	100%	Not active
Blaxmill (Forty-Three) Limited*	England	100%	Not active

**9 Fixed assets-Investments in subsidiary undertakings - company (Continued)**

For all undertakings listed above, the country of operation is the same as its country of incorporation.

\* undertakings in which Prestbury SX Limited holds the group's 100% interest.

\*\* undertaking in which Southern Cross Equityco Limited holds the group's 100% interest.

\*\*\*undertaking in which Southern Cross Bondco Limited holds the group's 100% interest.

\*\*\*\*undertaking in which Southern Cross CCLNeo Limited holds the group's 100% interest.

\*\*\*\*\*undertakings in which Southern Cross Prop Co Hold Co Limited holds the group's 100% interest.

**10 Debtors**

	Group 30 September 2005 £	Company 30 September 2005 £
<b>Due within one year</b>		
Trade debtors	1,615,456	-
Prepayments and accrued income	2,938	-
Deferred tax asset (note 6)	3,624	3,624
Other debtors	4,002	-
<b>Total due within one year</b>	<b>1,626,020</b>	<b>3,624</b>
<b>Due after more than one year</b>		
Deferred tax asset (note 6)	-	-
Amounts receivable from subsidiary undertakings	-	98,355,127
<b>Total due after more than one year</b>	<b>-</b>	<b>98,355,127</b>
<b>Total debtors</b>	<b>1,626,020</b>	<b>98,358,751</b>

The amounts owed by group undertakings are unsecured, bear interest at a rate of 7.9% and have no fixed repayment date. Accrued interest of £3,060,999 is included in the above figures.

<b>11 Creditors: Amounts falling due within one year</b>	Group 30 September 2005 £	Company 30 September 2005 £
Trade creditors	11,750	11,750
Current portion of secured loans (note 12)	524,612	524,612
Other creditors (see below)	1,650,003	-
Accruals and deferred income	3,067,265	1,488,946
	<b>5,253,630</b>	<b>2,025,308</b>

Deferred consideration of £1,650,000 due on the acquisition of one of the group's investment properties, was paid in December 2005.



PRESTBURY SX LIMITED

Notes forming part of the financial statements for the period ended 30 September 2005

(Continued)

	Group 30 September 2005	Company 30 September 2005
	£	£
<b>12 Creditors: Amounts falling due after more than one year</b>		
Secured bank loans	89,876,452	89,876,452
Prepaid finance fees	(1,906,730)	(1,906,730)
	<u>87,969,722</u>	<u>87,969,722</u>
Less secured debt due within one year (note 11)	<u>(524,612)</u>	<u>(524,612)</u>
	87,445,110	87,445,110
Amounts due to subsidiary undertakings	-	84,309
Shareholders' loans (see below)	<u>12,745,363</u>	<u>12,745,363</u>
	<u>100,190,473</u>	<u>100,274,782</u>

The amounts due to subsidiary undertakings are unsecured, bear interest at a rate of 7.9% and have no fixed repayment date.

Accrued interest of £1,661 is included in the above figure.

The shareholders' loans are unsecured, non-interest bearing and are subordinated to the bank debt (see note 16).

<i>The secured financial liabilities are due:</i>	£
Within one year	524,612
Between one and two years	883,942
In more than two years but not more than five years	4,280,785
In more than five years	<u>84,187,113</u>
	<u>89,876,452</u>

The bank loans are secured by charges over the investment properties held by the group, over the shares in the subsidiary undertakings and by fixed and floating charges over the assets of all the group companies.

The group's strategy in respect of the use of financial instruments is to hedge future interest rate risk for at least the term of the loans to ensure that expected loan balances are fully hedged.

Interest has been fixed by way of purchases of interest rate hedging products (swaps) which fix the interest rate payable (inclusive of the lender's margin) at approximately 6.54%.

The bank loans are to be repaid in full by 6 May 2015.

**13 Financial instruments**30 September  
2005

The following financial instruments were in place at 30 September 2005:

Market  
value  
gain/(loss)  
pre-tax  
£

	Protected Rate %	Expiry	
£89.9 million amortising swap	4.94%	May 2015	(1,729,000)
Total loss pre tax			(1,729,000)
Total loss post tax			(1,210,300)

The market values of our hedging portfolio change with interest rate fluctuations, but the exposure of the group to movements in interest rates is protected by way of the hedging product 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 30 September 2005, which is generally a marginally higher cost (or smaller gain) than a market valuation.

The group 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.

**14 Share capital**

	30 September 2005 Number	30 September 2005 £
<i>Authorised</i>		
1,000 ordinary 'A' shares of £1	1,000	1,000
4,750 ordinary 'B' shares of £1	4,750	4,750
3,250 ordinary 'C' shares of £1	3,250	3,250
1,000 ordinary 'M' shares of £1	1,000	1,000
	<u>10,000</u>	<u>10,000</u>
	30 September 2005 Number	30 September 2005 £
<i>Allotted, called up and fully paid</i>		
1,000 ordinary 'A' shares of £1	1,000	1,000
4,750 ordinary 'B' shares of £1	4,750	4,750
3,250 ordinary 'C' shares of £1	3,250	3,250
1,000 ordinary 'M' shares of £1	1,000	1,000
	<u>10,000</u>	<u>10,000</u>

All ordinary shares rank *pari passu* in relation to income and capital.

The company was incorporated on 13 April 2005 with an authorised share capital of 10,000 ordinary shares of £1 each. One ordinary share was issued for cash on 13 April 2005.

On 26 April 2005 a written resolution was passed and the issued share capital of the company of £1 together with 999 unissued shares were redesignated as A ordinary shares, 4,750 unissued shares were redesignated as B ordinary shares, 3,250 unissued shares were redesignated as C ordinary shares and 1,000 unissued shares were redesignated as M ordinary shares. On 27 April 2005 all of the authorised but unissued A,B,C and M Ordinary shares were then issued for cash, at par.

After the balance sheet date on 19 October 2005, a special resolution was passed and the authorised A, B, C and M ordinary shares were reclassified as ordinary shares.

## 15 Reserves

	Revaluation reserve	Profit and loss account	Total
Group	£	£	£
At incorporation	-	-	-
Surplus on revaluation of investment properties in the period	6,990,000	-	6,990,000
Retained loss for the period	-	(1,811,890)	(1,811,890)
At 30 September 2005	<u>6,990,000</u>	<u>(1,811,890)</u>	<u>5,178,110</u>
		Profit and loss account	
Company		£	
At incorporation		-	
Retained loss for the period		(1,233,459)	
At 30 September 2005		<u>(1,233,459)</u>	

## 16 Related party transactions

The aggregate loans due to shareholders are set out in note 12. The shareholder loans are unsecured, subordinated to the secured debt and non-interest bearing.

These include the following amounts due to investors holding a 20% or more interest in the equity of the company:

	2005 £'000
West Coast Capital Prestven Limited	<u>6,003</u>
Uberior Ventures Limited	<u>4,601</u>
Prestbury Investment Holdings Limited	<u>1,416</u>

Prestbury Investment Holdings Limited ("PIHL"), a shareholder in Prestbury SX Limited, has a 100% interest in PIHL Wentworth Manager Limited ("PIHLWML"). PIHLWML holds 10% of PIHL's 20% interest in the company. PIHLWML has agreed, pursuant to a Management Agreement dated 27 April 2005, to provide investment and property management and other services to the group. PIHL has agreed to guarantee the performance by PIHLWML of its obligations under the agreement. No fees have been charged for these services.

Uberior Ventures Limited, a shareholder in Prestbury SX Limited at the balance sheet date, is a wholly owned group undertaking of HBOS plc (HBOS). The HBOS group provides banking facilities to the group.

The following is a summary of the significant transactions undertaken by the group with HBOS during the period and balances with HBOS as at 30 September 2005:

Profit and loss account	£
Bank loan interest payable	<u>2,372,119</u>
Financing costs amortised	<u>64,185</u>
Other finance costs (including equity monitoring fees of £8,603 included in accruals)	<u>39,357</u>
Bank interest receivable	<u>23,824</u>
Balance sheet	
Financing costs paid to HBOS capitalised (net of amortisation charge for the period)	<u>1,518,765</u>
Bank loan falling due within one year	<u>524,612</u>
Bank loan falling due in greater than one year	<u>89,351,840</u>

All transactions with the HBOS group are undertaken on an arm's length basis.

Equity monitoring fees of £8,603 each have also been expensed in the group profit and loss account in respect of fees due for the period to 30 September 2005 to PIHL and West Coast Capital Prestven Limited (included in accruals).

## 17 Parent company and controlling party information

During the period, Prestbury SX Limited was a joint venture company not controlled by any one entity.

On 19 October 2005, PSX Holdings Limited became the owner of 100% of the issued ordinary share capital of Prestbury SX Limited pursuant to a share exchange agreement with the existing shareholders. PSX Holdings Limited, which is incorporated in England and Wales, is not controlled by any one entity.

**18 Reconciliation of operating profit to net cash inflow from operating activities**

30 September  
2005  
£

Operating profit	2,436,407
Increase in debtors	(1,622,397)
Decrease in creditors	767,015
Amortisation of goodwill	34,713
Net cash outflow from operating activities	<u>1,615,738</u>

**19 Reconciliation of net cash inflow to movement in net debt**

30 September  
2005  
£

Increase in cash in the period	334,680
Cash inflow from movements in debt financing	<u>(3,798,955)</u>
Change in net debt resulting from cash flows	(3,464,275)
Non cash movements - amortisation of prepaid finance fees	(80,581)
Loans acquired with subsidiaries (repaid in period)	<u>(96,835,550)</u>
Movement in net debt in the period	(100,380,406)
Net debt at incorporation	<u>-</u>
Net debt at end of period (note 20)	<u>(100,380,406)</u>

**20 Analysis of net debt**

	Cash flow £	Other non-cash changes £	At 30 September 2005 £
<b>Cash</b>	<u>334,680</u>		<u>334,680</u>
Debt due within one year	(524,612)	-	(524,612)
Debt due after one year	(102,097,203)	-	(102,097,203)
Prepaid finance fees	<u>1,987,311</u>	<u>(80,581)</u>	<u>1,906,730</u>
<b>Financing</b>	<u>(100,634,504)</u>	<u>(80,581)</u>	<u>(100,715,085)</u>
<b>Total</b>	<u>(100,299,824)</u>	<u>(80,581)</u>	<u>(100,380,405)</u>

**21 Acquisitions****Acquisition of Southern Cross Equityco Limited**

On 6 May 2005 the group acquired the above company (including its subsidiary companies), for a total cash consideration payable of £696,973 as set out below. In calculating the goodwill arising on acquisition, the fair value of the net assets acquired have been assessed and no adjustments from book value have been considered necessary. The acquisition is summarised in the following table:

<b>Balance sheet</b>	<b>Fair and book Value £</b>
Fixed assets	
Properties	100,050,000
Current assets	
Other debtors - intragroup debt	<u>37,868,560</u>
Total assets	137,918,560
Deferred income	(867,478)
Other creditors - bank debt	(80,985,101)
Other creditors - intragroup and other debt	(1,651,099)
Other creditors - deep discount bonds issued to former shareholders	<u>(53,717,909)</u>
<b>Net assets</b>	<u><u>696,973</u></u>
Cash consideration	696,973
Expenses of acquisition	1,666,226
	<u><u>2,363,199</u></u>
<b>Goodwill arising on acquisition (note 8)</b>	<u><u>1,666,226</u></u>

## 21 Acquisitions (Continued)

The combined results of Southern Cross Equityco Limited and its subsidiaries in the period prior to their acquisition were as follows:

	Period from 2 September 2004 to 6 May 2005 £
<b>Profit and loss account</b>	
Turnover	908,851
Administrative expenses	<u>(504,946)</u>
Operating profit	403,905
Net interest and other non operating items	<u>(959,639)</u>
Loss on ordinary activities before taxation	(555,734)
Taxation on loss of ordinary activities	<u>-</u>
<b>Retained loss</b>	<u><u>(555,734)</u></u>

**Cash flows**

The net outflow of cash arising from the acquisitions was as follows:	£
Cash consideration paid	(696,973)
Acquisition costs paid in period	(1,654,476)
Net settlement of bank debt, deep discount bonds and intra-group indebtedness	<u>(96,835,549)</u>
<b>Net outflow of cash in respect of acquisition</b>	<u><u>(99,186,998)</u></u>

Acquisition costs of £11,750 are accrued as at 30 September 2005.

£1,650,000 of the intragroup debt, due to a former group company, was settled in December 2005.

**21 Acquisitions (Continued)****Acquisition of Blaxmill (Thirty-Nine) Limited and Blaxmill (Forty-Three) Limited**

On 14 September 2005 the group acquired the above two companies for a total consideration payable of £1,768,721 (including acquisition costs) as set out below. The net assets acquired are summarised in the following table:

<b>Balance sheet</b>	<b>Fair and book value £</b>
Current assets - cash	20,000
Net assets	<u>20,000</u>
Cash consideration (including acquisition costs of £268,721)	1,788,721
Net assets acquired	<u>(20,000)</u>
<b>Deferred tax asset arising on consolidation (note 6)</b>	<b><u>1,768,721</u></b>

**Cash flow**

The net outflow of cash arising from the acquisition was as follows:

Cash consideration paid	(1,520,000)
Acquisition costs paid in the period	(7,600)
Cash acquired	<u>20,000</u>
Net outflow of cash in respect of acquisition	<b><u>(1,507,600)</u></b>

Acquisition costs of £261,121 are accrued as at 30 September 2005.

**22 Post balance sheet events**

On 19 October 2005, the shareholders of the company entered into a share exchange agreement with PSX Holdings Limited, which is now the company's ultimate parent entity.

On 7 December 2005, the group paid the deferred consideration of £1.65 million in respect of its acquisition of a leasehold interest in an investment property in May 2005. This was financed by a further secured bank facility.