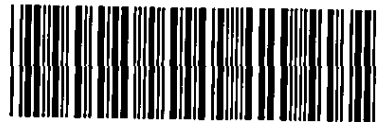


**Eddystone Finance plc**

Report and Financial Statements

For the period from 2 December 2005 (date of incorporation) to  
31 December 2006

MONDAY



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02/07/2007  
COMPANIES HOUSE

# **Eddystone Finance plc**

## **Annual report and financial statements for the period from 2 December 2005 to 31 December 2006**

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#### Officers and professional advisers

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**Eddystone Finance plc**

**Report of the directors for the period from 2 December 2005 to 31 December 2006 (*Continued*)**

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**Directors**

SFM Directors Limited  
SFM Directors (No 2) Limited

**Secretary and registered office**

SFM Corporate Services Limited  
35 Great St Helen's  
London  
EC3A 6AP

**Company number**

05643091 (England and Wales)

**Bankers**

Morgan Stanley Bank International Limited  
25 Cabot Square  
Canary Wharf  
London  
E14 4QA

UBS AG, London Branch  
1 Finsbury Avenue  
London  
EC2M 2PP

**Note Trustee Borrower Security Trustee**

Bank of New York  
One Canada Square  
Canary Wharf  
London  
E14 5 AL25

**Auditors**

PricewaterhouseCoopers LLP  
Southwark Towers, 32  
London Bridge Street  
London, SE1 9SY

## **Eddystone Finance plc**

### **Report of the directors from 2 December 2005 to 31 December 2006**

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The directors present their first report together with the audited financial statements of the company for the period from incorporation on 2 December 2005 to 31 December 2006

#### **Incorporation, principal activity and business review**

The company was incorporated in England and Wales on 2 December 2005, under the name of Jagwood plc, as a public company with limited liability under the Company Act 1985. The name of the company was changed to Eddystone Finance plc by a special resolution dated 14 February 2006. The company was established as a special purpose company to raise capital by the issue of secured floating rate notes (the "Notes") due to April 2021, and to apply the proceeds of such issuance to acquire loan assets secured on commercial assets the freehold or head lease of which is owned in the Sainsbury plc group.

During the period to the 31 December 2006 the company applied proceeds from early redemption of the loan assets in an amount of £10,822,226 from scheduled amortisation, substantially to the repayment of the Notes.

The directors expect that the present level of activity will be sustained in the near future.

#### **Results and dividends**

The profit and loss account is set out on page 7 and shows the profit for the period.

The directors do not recommend the payment of a dividend.

#### **Key performance indicators, principle risks and uncertainties**

The profit for the period to 31 December 2006 of £34,274,921 was attributable to the movement in the fair value of the financial derivatives. The gross margin, a key performance indicator for the company, was 0.005%.

The company's investment in loans decreased to £1,192,177,774 at 31 December 2006 from £1,203,000,000 at the date of acquisition due to early redemption options availed by the underlying borrower and scheduled amortisation. No impairment losses were booked during the current period.

The principal risks faced by the company are detailed in the financial instruments section below.

#### **Issue of shares**

Authorised share capital consists of 50,000 ordinary shares of £1 each. The issued share capital consists of 49,998 ordinary shares each with 25p paid and 2 ordinary shares fully paid as at 31 December 2006.

#### **Directors and their interests**

The directors of the company during the period, and subsequently, were

David Pudge	Appointed 2 December 2005	Resigned 14 February 2006
Adrian Levy	Appointed 2 December 2005	Resigned 14 February 2006
SFM Directors Limited	Appointed 14 February 2006	
SFM Directors (No. 2) Limited	Appointed 14 February 2006	

## **Eddystone Finance plc**

### **Report of the directors for the period from 2 December 2005 to 31 December 2006 (Continued)**

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None of the directors has any beneficial interest in the ordinary share capital of the company. None of the directors had any interest either during or at the end of the period in any material contract or arrangement with the company.

#### **Secretary**

The company secretary from 2 December 2005 to 14 February 2006 was Clifford Chance Secretaries Limited.

SFM Corporate Services Limited was appointed on 14 February 2006 and subsequently acted as the company secretary.

#### **Financial instruments**

The company's operations are financed primarily by means of the Notes. The company issued such financial instruments to finance the acquisition of its loan assets and uses derivative financial instruments (interest rate swaps and currency swaps) to manage the interest rate risks arising from the company's sources of income (loan assets) and its sources of finance (the Notes). It is not the company's policy to trade in financial instruments.

The principal risks arising from the company's financial instruments are credit risk, liquidity risk and interest rate risk. The principal nature of such risks are summarised below.

#### **Credit risk**

Credit risk is the risk that the borrowers or their estate will not be able to meet their obligations on the loans as they fall due.

The company's business objective rests on the purchase loans secured on, either the freehold title or headlease of commercial properties in England and Wales held in the Sainsbury plc group. While the loans are secured by first charges over commercial properties, the company considered the evaluation of the borrower's ability to service the loans according to their terms to be the principal factor in assessing the credit risk and the decision to lend.

The carrying amount of the loans due amounted to £1,192,177,774 as at 31 December 2006. No impairment has been recognised against the loans as at 31 December 2006.

#### **Liquidity risk**

If not otherwise redeemed or purchased and cancelled, the Notes will be redeemed at their principal amounts outstanding on the interest payment date falling in April 2021.

The company has also entered into a borrowing facility agreement to manage any remaining liquidity risk (Note 14).

## **Eddystone Finance plc**

### **Report of the directors for the period from 2 December 2005 to 31 December 2006 (Continued)**

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#### **Interest rate risk**

Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or reset at different times. The company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar and, where this is not possible by using derivative financial instruments to mitigate any residual interest rate risk.

At the period end the company is party to an interest rate swap in order to hedge interest rate risk arising on reset of interest rates (both assets and liabilities) at different times.

#### **Currency risk**

Certain of the company's Notes are denominated in Euros. The company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Notes. All other assets, liabilities and transactions are denominated in Sterling.

#### **Auditors**

PricewaterhouseCoopers LLP were appointed as the first auditors of the company. PricewaterhouseCoopers LLP have expressed their willingness to continue in office until the next Annual General Meeting. A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

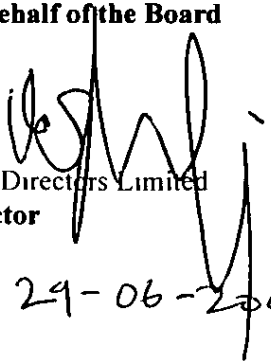
#### **Statement of disclosure of information to auditors**

The directors confirm that

- (a) so far as the directors are aware, there is no relevant information of which the company's auditors are unaware and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s243ZA of the Companies Act 1985.

#### **On behalf of the Board**

  
SFM Directors Limited  
**Director**

Date 29-06-2007

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP")

Company law requires the directors to prepare such financial statements for each financial period which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) 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.

## **Independent auditors' report to the members of Eddystone Finance plc**

We have audited the financial statements of Eddystone Finance plc for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement. 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 whether the financial statements have been 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. The other information comprises only the Directors' Report. 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 to be audited. 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 to be audited 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 and the part of the Directors' Remuneration Report to be audited.



**Independent auditors' report to the members of Eddystone Finance plc (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 2006 and of its profit and cash flows for the period 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  
London*

*29 June 2007*

**Eddystone Finance plc****Profit and loss account for the period from 2 December 2005 to 31 December 2006**

	Note	2 December 2005 to 31 December 2006 £
Interest receivable and similar income	2	76,898,715
Interest payable and similar charges	3	(76,894,041)
<b>Net interest income</b>		<b>4,674</b>
Other operating income		354,290
<b>Total operating income</b>		<b>358,964</b>
Net gain arising from fair value adjustments	4	24,528,090
Net foreign exchange gain		9,743,447
Operating expenses		(354,130)
<b>Profit on ordinary activities before taxation</b>	5	<b>34,276,371</b>
Taxation on profit on ordinary activities	7	(1,450)
<b>Profit on ordinary activities after taxation and retained profit for the financial period</b>	12	<b>34,274,921</b>

All amounts relate to continuing activities

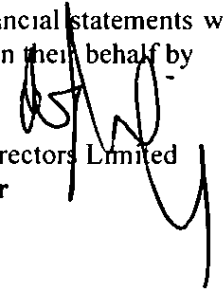
There are no recognised gains or losses other than the profit for the period as presented above. Accordingly a statement of total recognised gains and losses is not presented

The notes on pages 10 to 19 form part of these financial statements

**Eddystone Finance plc****Balance sheet as at 31 December 2006**

		<b>As at 31 December 2006</b>	
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Loans	8		<b>1,165,450,168</b>
<b>Current assets</b>			
Debtors	9	<b>63,443,308</b>	
Cash at bank and in hand		<b>9,543,907</b>	
		<b>72,987,215</b>	
<b>Creditors: amounts falling due within one year</b>	10	<b>(47,808,346)</b>	
<b>Net current assets</b>			<b>25,178,869</b>
<b>Total assets less current liabilities</b>			<b>1,190,629,037</b>
<b>Creditors: amounts falling due after more than one year</b>	10		<b>(1,156,341,614)</b>
<b>Net assets</b>			<b>34,287,423</b>
<b>Capital and reserves</b>			
Share capital	11		<b>12,502</b>
Profit and loss account	12		<b>34,274,921</b>
			<b>34,287,423</b>

The financial statements were approved by the Board of Directors and authorised for issue on 21 June 2007 and signed on their behalf by

  
SFM Directors Limited  
**Director**

The notes on pages 10 to 19 form part of these financial statements

**Eddystone Finance plc****Cash flow statement the period from 2 December 2005 to 31 December 2006**

	<b>Note</b>	<b>2 December 2005 to 31 December 2006 £</b>	<b>2 December 2005 to 31 December 2006 £</b>
<b>Net cash inflow from operating activities</b>	15		<b>9,542,958</b>
<b>Returns on investments and servicing of finance</b>			
Interest received on loans		34,199,606	
Interest received on bank balances		743	
Interest received on interest rate swap contracts		30,678,640	
Interest paid on Notes		(30,678,435)	
Interest paid on interest rate swap contracts		(34,199,605)	
			<b>949</b>
<b>Capital expenditure and financial investment</b>			
Purchase of loans	8	(1,203,000,000)	
Redemption of loans	8	10,822,226	
			<b>(1,192,177,774)</b>
Cash outflow before financing			<b>(1,182,633,867)</b>
<b>Financing</b>			
Receipts from issuance of Notes		1,203,000,000	
Redemption of Notes		(10,822,226)	
			<b>1,192,177,774</b>
<b>Increase in cash in the period</b>	16		<b>9,543,907</b>

The notes on pages 10 to 19 form part of these financial statements

## **1 Accounting policies**

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and UK GAAP. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The directors have adjusted the format of the profit and loss account as allowed under the Companies Act 1985, Schedule 4, paragraph 3(3).

### *Loans*

Loans are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They are classified as loans and receivables. The loans are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Subsequent increases in fair values of the loans, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in the income statement to the extent previous impairment losses have been taken through the income statement. The reversal shall not result in a carrying amount of the loans that exceeds the amortised cost had no impairment been recognised.

### *Segmental analysis*

The whole of the company's operations are carried out in the United Kingdom and the results and net assets are derived from its investment in the loans.

### *Financial instruments*

Derivative instruments utilised by the company are interest rate swaps and currency swaps. The company does not enter into speculative derivative contracts. Such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the company in line with the company's risk management policy. Derivative financial instruments are classified as held for trading and recorded at fair value, with any gain or loss on remeasurement being recognised in the profit and loss account. The company does not apply hedge accounting.

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, and is calculated by discounting future cashflows using observable market data at that date.

### *Floating rate notes*

Floating rate notes (the "Notes") are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liability, and are subsequently measured at amortised cost using the effective interest rate method.

## Eddystone Finance plc

### Notes forming part of the financial statements for the period from 2 December 2005 to 31 December 2006 (Continued)

#### *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

#### *Interest income and expense*

Interest income and expense is accounted for on a time basis, by reference to the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount

### **2 Interest receivable and similar income**

	<b>2 December 2005 to 31 December 2006 £</b>
Loan interest	<b>46,219,332</b>
Amounts received in respect of interest rate swap contracts receivable	<b>30,678,640</b>
Bank interest	<b>743</b>
	<hr/>
	<b>76,898,715</b>
	<hr/>

### **3 Interest payable and similar charges**

	<b>2 December 2005 to 31 December 2006 £</b>
Interest expense on Notes	<b>42,694,436</b>
Amounts payable in respect of interest rate swap contracts	<b>34,199,605</b>
	<hr/>
	<b>76,894,041</b>
	<hr/>

**Eddystone Finance plc**

**Notes forming part of the financial statements for the period from 2 December 2005 to 31 December 2006**  
**(Continued)**

**4 Net gain arising from fair value adjustment**

**2 December  
2005 to  
31 December  
2006  
£**

Fair value movement during the period **24,528,090**

Carried forward fair value asset of interest rate swap contracts (Note 14) **24,528,090**

**5 Profit on ordinary activities before taxation**

**2 December  
2005 to  
31 December  
2006  
£**

This has been arrived at after charging

Auditors' remuneration

Parent and consolidation fee

3,000

Subsidiary fee

9,000

**12,000**

**6 Directors and employees**

The company has no employees and services required are contracted from third parties. The directors received no remuneration from the company in respect of qualifying services rendered during the period.

**7 Taxation on profit on ordinary activities**

**2 December  
2005 to  
31 December  
2006  
£**

a) Analysis of the company tax charge in the period

UK corporation tax on the profit for the period

**1,450**

## **Eddystone Finance plc**

### **Notes forming part of the financial statements for the period from 2 December 2005 to 31 December 2006 (Continued)**

#### **7 Taxation on profit on ordinary activities (Continued)**

##### **b) Factors affecting the company current tax charge for the current period**

The current tax charge for the period is lower than the standard rate of corporation tax in the United Kingdom of 30%. The difference is explained below

	<b>2 December 2005 to 31 December 2006 £</b>
Current tax reconciliation	
Profit on ordinary activities before tax	<b>34,276,371</b>
Current tax @ 30%	<b>10,282,911</b>
Effects of	
Non-taxable items	<b>10,281,461</b>
Total current tax charge	<b>1,450</b>

Section 83 of the Finance Act 2005 allows for the exclusion of Financial Reporting Standard 26 to avoid major fluctuations in the profits or losses when calculating the corporation tax liability

#### **8 Loans**

The loans are secured by first charges on commercial properties in England or Wales

	<b>31 December 2006 £</b>
<i>Cost</i>	
At acquisition	<b>1,203,000,000</b>
Redemptions during the period	<b>(10,822,226)</b>
<i>Net book value</i>	
At 31 December 2006	<b>1,192,177,774</b>
The maturity profile of the loans at 31 December 2006 was as follows	
In one year or less (note 9)	<b>26,727,606</b>
In more than one year	<b>1,165,450,168</b>
	<b>1,192,177,774</b>

The loans are pledged as security to the Notes (note 10)



**Eddystone Finance plc****Notes forming part of the financial statements for the period from 2 December 2005 to 31 December 2006  
(Continued)****9 Debtors**

	<b>31 December 2006 £</b>
Loans due within one year	26,727,606
Derivative financial instruments	24,528,090
Prepayments and accrued income	12,175,110
Other debtors	12,502
	<hr/>
	63,443,308
	<hr/>

**10 Creditors**

	<b>31 December 2006 £</b>
Amounts falling due within one year	
Notes	26,092,713
Swap Collateral Account	9,542,798
Accruals and deferred income	12,171,385
Corporation tax payable	1,450
	<hr/>
	47,808,346
	<hr/>

	<b>31 December 2006 £</b>
Amount falling due after one year	
Notes	1,156,341,614
	<hr/>

The Notes are secured over a portfolio of loans. The structure and maturity profile of the Notes is disclosed in note 14.

## Eddystone Finance plc

Notes forming part of the financial statements for the period from 2 December 2005 to 31 December 2006  
(Continued)

### 11 Share capital

31 December  
2006  
£

*Authorised*

50,000 ordinary shares of £1 each

50,000

*Called up and allotted*

Ordinary shares of £1 each 49,998 - 25 pence paid

12,500

Ordinary shares of £1 each 2 – fully paid

2

12,502

At incorporation the company issued 50,000 ordinary shares of £1 (49,998 partly paid at £0.25 each and 2 called up and fully paid)

### 12 Profit and loss account

£

At 2 December 2005

-

Profit for the period

34,274,921

Balance at 31 December 2006

34,274,921

### 13 Shareholders' funds

£

Issue of share capital

12,502

Profit for the period

34,274,921

34,287,423

Opening shareholders' funds

-

Closing shareholders' funds

34,287,423

**14 Financial instruments**

The narrative disclosure required by Financial Reporting Standard 25 in relation to the nature of the financial instruments used during the period to mitigate credit interest rate and liquidity exposure is shown in the Directors' Report under the heading 'Financial Instruments'

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken

**Interest rate profile**

The interest rate profile of the company's interest bearing financial assets and liabilities are set out below, after taking into account interest rate swap contracts entered into by the company

	Effective Interest Rate	Total	6 months or less	Non interest bearing
	%	£	£	£
<b>Assets:</b>				
Loans	3.86	1,192,177,774	1,192,177,774	-
Derivative financial instrument		24,528,090	-	24,528,090
Cash	0.09	9,543,907	9,543,907	-
		<b>1,226,249,771</b>	<b>1,201,721,681</b>	<b>24,528,090</b>
<b>Liabilities:</b>				
Notes	3.86	1,182,434,327	1,182,434,327	-
		<b>1,182,434,327</b>	<b>1,182,434,327</b>	-

The interest rate applicable to floating rate assets is determined by reference to the London Inter-Bank Offered Rate ("LIBOR") and the Euro-zone Inter-Bank Offered Rate ("EURIBOR")

Interest on the above floating rate liabilities is determined and payable quarterly in arrears at the following rates above LIBOR for Class A1A, the Class A2, Class B Notes and Class C Notes for three-month Sterling deposits (in the case of the first interest period, the rate will be obtained from a linear interpolation of LIBOR for three and four month Sterling deposits) and above EURIBOR for Class A1B Notes for three month Euro deposits (in the case of the first interest period, the rate is obtained from a linear interpolation of EURIBOR for three and four month Euro deposits)

	£	
Class A1A Notes	69,174,874	LIBOR + 0.19%
Class A1B Notes	331,259,453	EURIBOR + 0.19%
Class A2 Notes	421,000,000	LIBOR + 0.21%
Class B Notes	140,000,000	LIBOR + 0.38%
Class C Notes	221,000,000	LIBOR + 0.58%
	<b>1,182,434,327</b>	

## **Eddystone Finance plc**

### **Notes forming part of the financial statements for the period from 2 December 2005 to 31 December 2006 (Continued)**

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#### **14 Financial instruments (Continued)**

##### **Liquidity profile**

The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the loans. If not otherwise redeemed or purchased and cancelled the Notes will be redeemed at their principal amount outstanding on the interest payment date falling in April 2021. In the event of a redemption (in whole or part) of the Notes, a corresponding portion of the hedge transactions will terminate and a termination payment may be due to the hedge counterparties.

The expected maturity profile of the loans and the Notes at 31 December 2006 was as follows:

	Loans £	Notes £
Within one year	26,727,606	26,092,713
Between one to two years	28,047,862	27,381,607
Between two to five years	92,728,618	90,498,972
In more than five years	1,044,673,688	1,038,461,035
	<u>1,192,177,774</u>	<u>1,182,434,327</u>

While the legal maturity of the Notes is 2021, the Notes are due to be repaid in line with the assets.

The company held a liquidity facility with Lloyds TSB Bank Plc of £172,000,000 that remained undrawn as at 31 December 2006.

##### **Currency profile**

The company has Notes in issue denominated in Euros. The company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Notes. All other assets, liabilities and transactions are denominated in Sterling.

**14 Financial instruments (Continued)**

**Fair value of financial assets and liabilities**

The following table shows the book value and fair value of the company's financial assets and liabilities

	<b>31 December 2006</b>	<b>31 December 2006</b>
	<b>Book value</b>	<b>Fair value</b>
	<b>£</b>	<b>£</b>
Assets		
Loans	1,192,177,774	1,192,177,774
Derivative financial instruments	24,528,090	24,528,090
Cash	9,543,907	9,543,907
	<u>1,226,249,771</u>	<u>1,226,249,771</u>
Liabilities		
Notes	1,182,434,327	1,182,831,084
	<u>1,182,434,327</u>	<u>1,182,831,084</u>

The fair value of the loans and cash approximates to their carrying value

The interest rate and cross currency swap contracts were entered into for the purpose of hedging the interest rate and currency risks

The company has a number of interest rate swaps with a notional principal value of £851,174,874 and cross currency swap with a notional principal amount of £341,002,900. The fair value of the swaps is the estimated amount that the company would receive or pay to terminate this swap at the balance sheet date and is calculated by discounting future cash flows using observable market data at that date.

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

	<b>2 December 2005 to 31 December 2006</b>
	<b>£</b>
Operating profit	34,276,371
Less Interest receivable on loans	(46,219,332)
Interest receivable on bank balances	(743)
Interest receivable on interest rate swap contracts	(30,678,640)
Fair value movements on interest rate swap contracts	(24,528,090)
Foreign exchange adjustments	(9,743,447)
Increase in debtors	(155,384)
Add Interest payable on Notes	42,694,436
Interest payable on interest rate swap contracts	34,199,605
Increase in creditors	9,698,182
	<u>9,542,958</u>
Net cash outflow from operating activities	

# Eddystone Finance plc

Notes forming part of the financial statements for the period from 2 December 2005 to 31 December 2006  
(Continued)

## 16 Reconciliation of net cash flow to movement in net debt

	2 December 2005 to 31 December 2006 £
Increase in cash for the period	9,543,907
Cash inflow from issuance of Notes	(1,203,000,000)
Amounts redeemed on Notes	10,822,226
Change in net debt resulting from cash flows	(1,182,633,867)
Net debt at 2 December 2005	-
Net debt at 31 December 2006	(1,182,633,867)

## 17 Analysis of changes in net debt

	At 2 December 2005 £	Cash flow £	At 31 December 2006 £
Cash at bank	-	9,543,907	9,543,907
Debt due within one year	-	(26,092,713)	(26,092,713)
Debt due after one year	-	(1,156,341,614)	(1,156,341,614)
		- (1,172,890,420)	(1,172,890,420)

## 18 Controlling party

On 31 December 2006, 49,999 of the ordinary shares of the company in issue were held by Eddystone Finance Holdings Limited, a company incorporated in England and Wales. The remaining share was held by SFM Nominees Limited as nominee for Eddystone Finance Holdings Limited.

The ultimate controlling party is SFM Corporate Services Limited on a discretionary trust basis for the benefit of certain charities.

Copies of the financial statements of SFM Corporate Services Limited, a company registered in England and Wales, may be obtained from 35 Great St Helen's, London, EC3A 6AP.

## 19 Related Party transactions

During the period fees of £4,280 were paid to Structured Finance Management Limited in respect of corporate services fees provided to the company.

SFM Corporate Services Limited is a wholly owned subsidiary of Structured Finance Management Limited.