# CHESTNUTBAY LIMITED

## Annual report
## for the year ended 28 February 2009

Registered number 04134749

# CHESTNUTBAY LIMITED

## Annual report
## for the year ended 28 February 2009

## Contents


| | Page |
|---|---|
| Directors and advisors | 1 |
| Directors' report | 2 - 3 |
| Independent auditors' report | 4 - 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the financial statements | 8 - 13 |

# CHESTNUTBAY LIMITED

## Directors and Advisors

**Directors**

AT Morris
N Yarrow

**Company secretary and registered office**

N Yarrow
Orbital House
Park View Road
Berkhamsted
Hertfordshire
HP4 3EY

**Independent auditors**

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

# CHESTNUTBAY LIMITED

## Directors' report for the year ended 28 February 2009

### Principal activities

The directors present their report and the audited financial statements of the company for the year ended 28 February 2009.

### Review of business and future developments

The profit and loss account for the year is set out on page 6.

The company does not currently trade and the directors expect that the present level of activity will be sustained for the foreseeable future.

### Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (2008: £nil). The retained profit of the company for the financial year of £9,000 (2008 loss: £1,888,000) will be transferred to reserves.

### Directors

The directors of the company during the year and the changes in the period to the approval of these financial statements, are listed below:

R Ford (resigned 27 November 2008)
AT Morris
N Yarrow

### Qualifying third party indemnity provisions

At the time the report is approved there are no qualifying third party indemnity provisions in place for the benefit of one or more of the directors.

### Principal risks and uncertainties

From the perspective of the company, the princpal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Chestnutbay AcquisitionCo Limited, which include those of the company, are discussed on page 3 of the group's annual report which does not form part of this report

### Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development , performance or position of the business.

### Employees

The company's policy is to ensure that all employees are fully trained and aware of all matters likely to affect employees' interests. Consultation with employees or their representatives continues at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the group as a whole.

There is no employee share scheme or profit sharing scheme at present.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitude and abilities.

**Post balance sheet events**

On 1 July 2009 the company's parent, Chestnutbay AcquisitionCo Limited (CAL) was acquired by Conchord Limited a subsidiary of Kaupthing Bank hf. On the same date Kaupthing Bank agreed to change the terms of the loan it had made to CAL. Details of the restructuring can be found in note 16 to the financial statements. This restructuring provides the company with much greater certainty that it will be able to service its debt obligations in the future and provides support from Kaupthing Bank to November 2013.

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

**Disclosure of information to auditors**

So far as the directors are aware there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

N Yarrow
**Director**
17 December 2009

# Independent auditors' report to the members of Chestnutbay Limited

We have audited the financial statements of Chestnutbay Limited for the year ended 28 February 2009 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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 28 February 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 December 2009

# CHESTNUTBAY LIMITED

## Profit and loss account
## for the year ended 28 February 2009

| Continuing Operations | Notes | **28 February 2009 £'000** | 29 February 2008 £'000 |
|---|---|---|---|
| Administrative expenses | | **-** | (519) |
| Exceptional item - operating credit/(charge) | 5 | **9** | (1,369) |
| **Total operating profit/(loss)** | | **9** | (1,888) |
| Net interest receivable | | **-** | - |
| **Profit/(loss) on ordinary activities before taxation** | 4 | **9** | (1,888) |
| Tax on profit/(loss) on ordinary activities | 6 | **-** | - |
| **Profit/(loss) for the financial year** | 12 | **9** | (1,888) |

The company has no recognised gains and losses other than the results above. Therefore no separate statement of total recognised gains and losses has been presented.

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

# CHESTNUTBAY LIMITED

## Balance Sheet as at 28 February 2009

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 7 | **1,950** | 1,950 |
| **Current assets** | | | |
| Debtors | 8 | | |
| Falling due after more than one year | | **-** | 1 |
| Cash at bank and in hand | | **-** | 92 |
| | | **-** | 93 |
| **Creditors: amounts falling due within one year** | 9 | **-** | (27) |
| **Net current assets** | | **-** | 66 |
| **Total assets less current assets** | | **1,950** | 2,016 |
| **Creditors**: amounts falling due after more than one year | 10 | **(5,021)** | (5,096) |
| **Net liabilities** | | **(3,071)** | (3,080) |
| **Capital and reserves** | | | |
| Called up share capital | 11 | **497** | 497 |
| Share premium account | 12 | **1,585** | 1,585 |
| Profit and loss account | 12 | **(5,153)** | (5,162) |
| Total shareholders' deficit | 13 | **(3,071)** | (3,080) |

The financial statements on pages 6 to 13 were approved by the board directors on 17 December 2009 and were signed on its behalf by:

N Yarrow
**Director**

# CHESTNUTBAY LIMITED

# Notes to the financial statements for the year ended 28 February 2009

## 1 Principal account policies

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

**Basis of preparation - going concern**

The directors have obtained confirmation from Chestnutbay AcquisitionCo Limited, the Company's parent undertaking, that it will provide sufficient financial support to the company to ensure it can meet its obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. Accordingly the directors have determined that the going concern basis is appropriate.

**Basis of consolidation**

The financial statements contain information about Chestnutbay Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent Chestnutbay AcquisitionCo Limited, a company incorporated in England and Wales.

**Investments**

Fixed asset investments are carried at cost less any provision for impairment in value.

**Related party transactions**

The company has taken advantage of the exemption not to disclose transactions with other group undertakings allowed under FRS 8 'Related party disclosures', as it is a wholly owned subsidiary of Chestnutbay AcquisitionCo Limited.

**Deferred taxation**

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 right to pay less tax in the future have occurred at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is more likely than not.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Cash flow statement**

The company is a wholly owned subsidiary of Chestnutbay AcquisitionCo Limited and the cash flows of the company are included in the consolidated group cash flow statement of that company. Consequently, the company is exempt under the terms of FRS 1 'cash flow statements revised 1996' from publishing a cash flow statement.

**Pension scheme arrangements**

The company operated a defined contribution stakeholder pension scheme and on behalf of a small number of employees. No contributions are made by the company.

# CHESTNUTBAY LIMITED

## 2 Directors' emoluments

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Aggregate emoluments | - | 150 |
| Compensation for loss of office | - | 35 |
| | - | 185 |

The company was acquired by Chestnutbay AcquisitionCo Limited on 28 June 2007. Directors' remuneration was borne by Asquith Nurseries Limited.

No retirement benefits accrue to any director (2008: nil) under a money purchase scheme.

Included above are emoluments totalling £nil (2008: £74,428) in respect of the highest paid director.

## 3 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was as follows:

| | 2009 Number | 2008 Number |
|---|---|---|
| Administration | - | 2 |
| | - | 2 |

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Staff costs** for the above persons: | | |
| Wages and salaries | - | 300 |
| Social security costs | - | 124 |
| | - | 424 |

## 4 Profit/(loss) on ordinary activities before taxation

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit/(loss) on ordinary activities before taxation is stated after charging: | | |
| Staff costs (note 3) | - | 424 |

Auditors' remuneration for both 2008 and 2009 has been borne by a fellow group company.

# CHESTNUTBAY LIMITED

## 5 Exceptional operating credit

The 2009 exceptional operating credit of £9,000 (2008: charge £1,369,000) relates to the costs associated with the sale of the company in June 2007. The credit in 2009 has arisen following the release of excess prior year accruals.

## 6 Tax on loss on ordinary activities

### (a) Analysis of charge for the year

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Current tax** | | |
| United Kingdom corporation tax on profits of the year | - | - |
| Deferred tax | - | - |
| **Tax on profit on ordinary activities** | - | - |

### (b) Factors affecting tax charge for the year

The tax for the year is different to the standard rate of corporation tax in the UK 28.17% (2008: 30%). The differences are explained below:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | 8 | (1,888) |
| Profit on ordinary activities multiplied by standard rate of corporation tax | 2 | (566) |
| Effects of: | | |
| Expenses not deductable for tax purposes | | 411 |
| Group relief claimed for no payments | (2) | 155 |
| **Tax charge/(credits) for the year** | - | - |

Factors that may affect future tax charges:

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008.

Based on current plans, the company expects the tax rate in the future to be affected by factors similar to those in the current year.

# CHESTNUTBAY LIMITED

## 7 Investments

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Cost** | | |
| At 28 February 2009 and 29 February 2008 | **1,950** | 1,950 |
| **Impairment** | | |
| At 28 February 2009 and 29 February 2008 | - | - |
| **Net book value** | | |
| At 28 February 2009 and 29 February 2008 | **1,950** | 1,950 |

**Subsidiary undertakings**

| | Country of incorp | Share capital | Nature of business |
|---|---|---|---|
| Acorndrive Limited | UK | 100% | Non Trading |

The directors believe that the carrying value of the investments is supported by their underlying net assets.

## 8 Debtors

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Amount falling due after more than one year** | | |
| Amount owed by group companies | - | 1 |

Amounts owed by group undertakings are interest free and have no fixed terms of repayment.

The directors of the company have provided confirmation to the companies with whom inter-company debtors are held, that these amounts will be not be payable for a period of at least 12 months from approval of these financial statements.

## 9 Creditors: amounts falling due within one year

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Accruals and deferred income | - | 27 |
| | - | 27 |

## 10 Creditors: amounts falling due after more than one year

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Amounts due to group undertakings | **5,021** | 5,096 |

Amounts owed to group companies are unsecured, interest free and have no fixed terms of repayment.

The company has received confirmation from the directors of the companies with whom inter-company creditor balances are held that these amounts will not be payable for a period of at least 12 months from approval of these financial statements.

# CHESTNUTBAY LIMITED

## 11 Called up share capital

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Authorised** | | |
| 522,241 'A' ordinary shares of £1 | **522** | 522 |
| 1,633,856 'B' ordinary shares of 1p | **16** | 16 |
| 1 'C' ordinary shares of £3 | **-** | - |
| 108,518 'D' ordinary shares of 1p | **1** | 1 |
| | **539** | 539 |
| **Issued allotted and fully paid** | | |
| 480,356 (2006: 428,000) 'A' ordinary shares of £1 | **480** | 480 |
| 1,572,000 'B' ordinary shares of 1p | **16** | 16 |
| 1 'C' ordinary share of £3 | **-** | - |
| 108,518 'D' ordinary shares of 1p | **1** | 1 |
| | **497** | 497 |

**Rights of shares**

The 'A' and 'B' shares rank pari passu in regard to voting, income and distributions on a winding up. From 31 August 2006 the 'A' and 'B' shareholders are entitled to a dividend of at least 25% of the year's net profits. 'A' shareholders are restricted from transferring any shares without the written consent of at least 50% of the 'B' shareholders. The 'C' shareholder has no entitlement to vote or receive dividends. No director can be appointed to the board without the consent of the 'C' shareholder.

The 'D' ordinary shares rank pari passu with the 'A' and 'B' shareholders in regard to voting and income. In the event of a distribution, whether on a winding up or reduction of capital, the 'D' shareholders are entitled to the same distribution per share as the 'A' and 'B' shareholders less a fixed amount per share.

## 12 Reserves

| | Share premium account £'000 | Profit & loss account £'000 |
|---|---|---|
| **At 1 March 2008** | 1,585 | (5,162) |
| Profit for the year | - | 9 |
| **At 28 February 2009** | **1,585** | **(5,153)** |

## 13 Reconciliation of movements in shareholders' deficit

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit/(loss) for the year | **9** | (1,888) |
| Net addition to shareholders' funds | **9** | (1,888) |
| Opening shareholders' deficit | **(3,080)** | (1,192) |
| **Closing shareholders' deficit** | **(3,071)** | (3,080) |

# CHESTNUTBAY LIMITED

**14 Capital commitments and contingent liabilities**

At 28 February 2009, a composite guarantee by each of the group companies existed in favour of Kaupthing Bank as security for the group's loans of £77.0 million. Following the restructuring of the group's debt on 1 July 2009 as described in note 16 the guarantee remained in place but the loans to which it related had reduced in value to £50m.

The company had no capital commitments at the year end (2008: nil).

**15 Ultimate and immediate parent undertaking**

The immediate parent undertaking is Chestnutbay AcquisitionCo Limited. At the balance sheet date the company's ultimate parent undertaking was Chestnutbay Holdco Limited, a company incorporated in England. This company has subsequently applied to be struck off the register. Chestnutbay AcquisitionCo Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 28 February 2009. Copies of the consolidated financial statements of Chestnutbay AcquisitionCo Limited may be obtained from the Secretary at the company's registered office, Orbital House, Park View Road, Berkhamsted, Hertfordshire HP4 3EY. The company's ultimate parent undertaking is Kaupthing Bank hf, a company incorporated in Iceland.

**16 Events subsequent to the balance sheet date**

The company is a wholly owned subsidiary of Chestnutbay AcquisitionCo Limited (CAL). CAL acquired the Chestnutbay Limited group in June 2007 which was partially funded by an 18 month bridging facility provided by Kaupthing Bank hf which expired on 28 December 2008.

CAL hedged its exposure to interest rate movements on its principal debt by way of two interest rate swaps held by Kaupthing Singer & Friedlander Limited. Any repayment, refinancing or default of the principal debt would have crystallised a liability to settle all future payments due under the interest rate swaps. The close-out value of the swaps increased significantly as interest rates fell.

The original intention was for CAL to refinance the principal borrowings before they expired. However, due to material changes in the global and UK economic and financial environment it became clear that this would not be possible. As a result, CAL commenced discussions with Kaupthing Bank to agree a consensual debt restructuring in December 2008.

On 1 July 2009 CAL agreed and executed a restructure with its banks which had the following effect:
- The existing Kaupthing Bank facility was restructured and its maturity date was extended to 2013.
- CAL issued new share capital to Kaupthing Bank in consideration for the bank reducing the amount due under the facility from £76.4m to £50m.
- Liabilities under the interest rate swap with Kaupthing Singer & Friedlander Limited were settled in full.
- CAL's immediate parent, Chestnutbay MiddleCo Limited was placed into administration.
- CAL was acquired by a newly incorporated company, Conchord Limited, a subsidiary of Kaupthing Bank hf.

The company remains a guarantor under the amended and restated agreement.

**17 Related party transactions**

The company has taken advantage of the exemption not to disclose transactions with related parties under FRS 8 - 'Related party disclosures' as it is a wholly owned subsidiary of Chestnutbay AcquisitionCo Limited and all relevant transactions are disclosed in that company's consolidated financial statements.