

Agecroft Properties (No. 2) Limited  
Annual report and financial statements  
for the year ended  
31 December 2006

Co Registration No 04167343



## **Agecroft Properties (No. 2) Limited**

### **Report and financial statements for the year ended 31 December 2006**

	<b>Page</b>
Director and advisors	1
Director's report for the year ended 31 December 2006	2
Independent auditors' report to the members of Agecroft Properties (No. 2) Limited	4
Profit and loss account for the year ended 31 December 2006	5
Balance sheet as at 31 December 2006	6
Notes to the financial statements for the year ended 31 December 2006	7

# **Agecroft Properties (No. 2) Limited**

## **Director and advisors**

### **Director**

W R Doughty

### **Secretary**

SMIF Secretariat Services Limited

### **Registered office**

Aylesbury House  
17-18 Aylesbury Street  
London  
EC1R 0DB

### **Auditors**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

# **Agecroft Properties (No. 2) Limited**

## **Director's report for the year ended 31 December 2006**

The director presents his report and the audited financial statements for the year ended 31 December 2006

### **Results, principal activities and review of the business**

The principal activity of the company is the leasing of commercial properties and is likely to remain so for the foreseeable future

The profit for the year attributable to shareholders which has been dealt with in the financial statements is £386,009 (4 months ended 31 December 2005 £139,879) The director considers that both the level of business and the year end financial position were satisfactory

### **Dividends and transfers to reserves**

No dividend is proposed (4 months ended 31 December 2005 £nil) The result for the financial year is set out in the profit and loss account on page 5

### **Principal risks and uncertainties**

The company has taken on the activity as detailed above and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations The financial risks and the measures taken to mitigate them are as detailed in the following section

### **Financial risk management**

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance The board has policies for managing each of these risks and they are summarised below

#### ***Interest rate risk***

The senior and subordinated debt interest have been fixed through the use of fixed funding rates, plus a margin Details of these can be found on page 12

#### ***Inflation risk***

The income and cost base of the company are not directly impacted by the effects of inflation

#### ***Liquidity risk***

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due

#### ***Credit risk***

The company receives the bulk of its revenue from Agecroft Prison Management Limited and is not exposed to significant credit risk as it ranks as senior lender to this company Cash investments are with institutions of a suitable credit quality

### **Key performance indicators ('KPIs')**

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the contract which stipulates key performance criteria For this reason, the company's director believes that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business

## **Agecroft Properties (No. 2) Limited**

### **Director's report for the year ended 31 December 2006 (continued)**

#### **Directors**

The directors of the company during the year and subsequently, are set out below

B W Dalgleish (resigned 07/12/2006)

W R Doughty

P McCulloch (resigned 18/12/2006)

#### **Director's interests in shares**

There were no director's interests recorded in the register kept in accordance with Section 325 of the Companies Act 1985. The director has no interest in the shares of any other company in the group.

#### **Statement of director's responsibilities**

Company law requires the director to prepare financial statements for each financial year 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. The director is required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The director confirms that suitable accounting policies have been used and applied consistently. He also confirms that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985.

He is 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 director is aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that PwC are aware of that information.

#### **Auditors**

Having passed elective resolutions of the shareholders at an extraordinary general meeting, the company is exempt from the obligation to annually reappoint auditors and to hold annual general meetings. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly the board recommends that PricewaterhouseCoopers LLP continue in office as auditors to the company.

By order of the board



On behalf of SMIF Secretariat Services Limited  
Secretary

*SATS 25 JULY 2007*

## **Independent auditors' report to the members of Agecroft Properties (No. 2) Limited**

We have audited the financial statements of Agecroft Properties (No. 2) Limited for the year ended 31 December 2006 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**

As described in the Statement of Director's 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). 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 not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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  
Birmingham

*1 August 2007*

## Agecroft Properties (No. 2) Limited

### Profit and loss account for the year ended 31 December 2006

	Note	Year ended 31 December 2006 £	4 months ended 31 December 2005 £
Gross rentals receivable under finance leases		5,084,004	1,694,668
Less amounts allocated to the repayment of finance leases		(582,651)	(127,682)
Gross earnings under finance leases		4,501,353	1,566,986
Operating expenses	2	(124,813)	(36,103)
Operating profit		4,376,540	1,530,883
Interest receivable and similar income	3	138,070	42,025
Interest payable and similar charges	4	(3,173,027)	(1,109,992)
<b>Profit on ordinary activities before taxation</b>		<b>1,341,583</b>	<b>462,916</b>
Tax on profit on ordinary activities	5	(955,574)	(323,037)
<b>Retained profit for the year / period</b>	12	<b>386,009</b>	<b>139,879</b>

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom

There is no difference between the profit as shown in the profit and loss account and its historical cost equivalent. The movement on reserves is shown in note 12 to the financial statements.


The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

## Agecroft Properties (No. 2) Limited

### Balance sheet as at 31 December 2006

	Note	31 December 2006 £	31 December 2005 £
<b>Current assets</b>			
Debtors amounts falling due within one year	6	755,973	599,318
Debtors amounts falling due after more than one year	7	44,725,634	45,464,394
Cash at bank and in hand		2,486,884	2,559,001
		<b>47,968,491</b>	<b>48,622,713</b>
<b>Creditors</b> amounts falling due within one year	8	<b>(1,912,082)</b>	<b>(1,983,373)</b>
<b>Net current assets</b>		<b>46,056,409</b>	<b>46,639,340</b>
<b>Creditors:</b> amounts falling due after more than one year	9	<b>(38,624,267)</b>	<b>(40,314,874)</b>
<b>Provisions for liabilities and charges</b>	10	<b>(6,906,253)</b>	<b>(6,184,586)</b>
		<b>525,889</b>	<b>139,880</b>
<b>Capital and reserves</b>			
Share capital	11	1	1
Profit and loss account	12	525,888	139,879
<b>Shareholder's funds</b>	12	<b>525,889</b>	<b>139,880</b>

The financial statements on pages 5 to 13 were approved by the board on 25 July 2007 and signed on its behalf by

  
Director



# **Agecroft Properties (No. 2) Limited**

## **Notes to the financial statements for the year ended 31 December 2006**

### **1 Principal accounting policies**

A summary of the company's principal accounting policies is set out below

#### **Basis of preparation of accounts**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting and applicable financial reporting standards

#### **Equipment leased to customers**

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases

The net investment in finance leases is included in debtors and represents total minimum lease payments less gross earnings allocated to future years and non refundable rents in advance. Income from finance leases is credited to the profit and loss account, as 'Gross rentals receivable under finance leases' using the actuarial after tax method to give a constant periodic rate of return on the net cash investment

#### **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 a right to pay less tax in the future have occurred at the balance sheet date

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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

#### **Cash flow statement**

Under Financial Reporting Standard 1(revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that SMIF Investments Luxembourg Sarl, the ultimate parent undertaking as at the year end, includes the company's results in its published consolidated financial statements

### **2 Operating expenses**

The company had no employees during the year (2005 none). The remuneration of the directors is paid by the controlling parties and their services to the company are of a non-executive nature. The controlling parties charged £nil (2005 £nil) to the company in respect of these services

The audit fee has been paid on the company's behalf by a group company, SMIF Asset Management Limited, for which no recharge has been made (2005 £nil)

## **Agecroft Properties (No. 2) Limited**

### **Notes to the financial statements for the year ended 31 December 2006 (continued)**

#### **3 Interest receivable and similar income**

	<b>Year ended 31 December 2006  £</b>	<b>4 months ended 31 December 2005  £</b>
Interest receivable on bank deposits	138,070	42,025

#### **4 Interest payable and similar charges**

	<b>Year ended 31 December 2006  £</b>	<b>4 months ended 31 December 2005  £</b>
Interest payable on senior debt	2,733,458	943,487
Interest payable on subordinated debt	324,872	108,587
Amortisation of debt issue costs	114,697	57,918
	<b>3,173,027</b>	<b>1,109,992</b>

## Agecroft Properties (No. 2) Limited

### Notes to the financial statements for the year ended 31 December 2006 (continued)

#### 5 Tax on profit on ordinary activities

##### a) Analysis of tax charge for the year/period

	Year ended 31 December 2006 £	4 months ended 31 December 2005 £
<b>Current tax</b>		
Current year/(period)	(229,510)	(46,257)
Adjustment in respect of prior periods	(4,397)	-
<b>Deferred tax (note 10)</b>		
Capital allowances on net investment in finance lease	(55,054)	(92,618)
Tax effect of finance lease asset not qualifying for capital allowances	(500,475)	132,995
Adjustment in respect of prior years	(166,138)	(317,157)
<b>Tax on profit on ordinary activities</b>	<b>(955,574)</b>	<b>(323,037)</b>

##### b) Factors affecting current tax charge

The tax assessed for the year is lower (2005 lower) than the standard rate of corporation tax in the UK of 30%  
The differences are explained below

Profit on ordinary activities before taxation	1,341,583	462,916
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (4 months ended 31 December 2005 30%)	(402,476)	(138,875)
Effect of capital allowances on net investment in finance lease	172,966	92,618
	(229,510)	(46,257)

## Agecroft Properties (No. 2) Limited

### Notes to the financial statements for the year ended 31 December 2006 (continued)

#### 6 Debtors: amounts falling due within one year

	31 December 2006	31 December 2005
	£	£
Net investment in finance lease	738,760	582,651
Prepayments and accrued income	17,213	16,667
	<b>755,973</b>	<b>599,318</b>

#### 7 Debtors: amounts falling due after more than one year

	31 December 2006	31 December 2005
Finance lease	£	£
Gross finance lease receivable	91,780,253	96,864,257
Less future interest	(46,315,859)	(50,817,212)
Net investment in finance lease	45,464,394	46,047,045
Less amounts falling due within one year	(738,760)	(582,651)
	<b>44,725,634</b>	<b>45,464,394</b>

#### 8 Creditors: amounts falling due within one year

	31 December 2006	31 December 2005
	£	£
Senior debt	1,487,719	1,442,606
Amounts due to other group undertakings	163,771	222,425
Trade creditors	32,159	197,944
Corporation Tax	156,916	46,257
VAT payable	71,517	74,141
	<b>1,912,082</b>	<b>1,983,373</b>

## Agecroft Properties (No. 2) Limited

### Notes to the financial statements for the year ended 31 December 2006 (continued)

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

##### a) Total

	31 December 2006	31 December 2005
	£	£
Senior debt	35,496,560	36,997,167
Subordinated debt	2,320,512	2,320,512
Amounts due to other group undertakings	807,195	997,195
	38,624,267	40,314,874

##### b) Debt

Senior debt	38,038,859	39,609,050
Subordinated debt	2,320,512	2,320,512
	40,359,371	41,929,562
Less unamortised issue costs	(1,054,580)	(1,169,277)
Less included in creditors falling due within one year	(1,487,719)	(1,442,606)
	37,817,072	39,317,679

##### c) Maturity of debt

Less than one year	1,597,152	1,557,303
Between one and two years	1,652,843	1,598,489
Between two and five years	5,415,691	5,174,329
In more than five years	31,693,685	33,599,441
	40,359,371	41,929,562
Less unamortised issue costs	(1,054,580)	(1,169,277)
Less amounts falling due within one year	(1,487,719)	(1,442,606)
	37,817,072	39,317,679

## Agecroft Properties (No. 2) Limited

### Notes to the financial statements for the year ended 31 December 2006 (continued)

#### 9 Creditors: amounts falling due after more than one year (continued)

##### Senior debt

The senior debt is repayable in semi-annual instalments with a final payment date of 30 June 2023. Interest is calculated semi-annually in arrears. Interest on the debt is fixed at a rate of 6.973%.

The loan is secured under a debenture deed. Under the terms of the debenture, the finance provider has security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties held by the company and buildings and fixtures on those properties. The finance provider also has security over all other assets of the company by way of fixed and floating charges.

##### Unsecured subordinated debt

The subordinated debt is repayable whenever the company has sufficient funds to do so in semi-annual instalments with the final repayment date being 30 June 2023. Interest on the debt is fixed at a rate of 14% per annum.

During the year the directors have reviewed the disclosure of the split of debt and have updated the presentation of the maturity analysis to more accurately reflect the debt net of unamortized issue costs. There has been no adjustment to the prior year in this respect and the change has no impact on the net creditors disclosure in the current or prior year.

#### 10 Provisions for liabilities and charges

##### Deferred tax

Deferred taxation provided in the accounts is as follows

	31 December 2006	31 December 2005
	Amount provided	
	£	£
Tax effect of timing differences	6,906,253	6,184,586
The deferred tax liability consists of	£	£
Accelerated capital allowances	3,860,306	3,639,113
Other timing differences	3,045,947	2,545,473
	6,906,253	6,184,586
	£	£
Provision at 1 January 2006 (1 September 2005)	6,184,586	5,907,806
Charge to the profit and loss account (note 5)	721,667	276,780
Provision at 31 December 2006	6,906,253	6,184,586

## Agecroft Properties (No. 2) Limited

### Notes to the financial statements for the year ended 31 December 2006 (continued)

#### 11 Share capital

	31 December 2006	31 December 2005
	£	£
<b>Authorised</b>		
20,000 Ordinary shares of £1 each	20,000	20,000
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1 each	1	1

#### 12 Reconciliation of movement on shareholder's funds and reserves

	Share capital	Profit & loss account	Total shareholder's funds
	£	£	£
At 1 September 2005	1	-	1
Retained profit for the period	-	139,879	139,879
At 31 December 2005	1	139,879	139,880
Retained profit for the year	-	386,009	386,009
At 31 December 2006	1	525,888	525,889

#### 13 Related party disclosures

As a wholly owned subsidiary of SMIF Investments Luxembourg Sarl, the company has taken advantage of the exemption under FRS 8 of the requirement to disclose transactions between it and other group companies

#### 14 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking was API HoldCo Limited which is registered in England and Wales and the ultimate parent undertaking and ultimate controlling party, as at the year end, was SMIF Investments Luxembourg Sarl (formerly Star SMIF Investments Luxembourg Sarl), a company incorporated in Luxembourg

The largest and smallest group to consolidate these financial statements is SMIF Investments Luxembourg Sarl Consolidated financial statements for SMIF Investments Luxembourg Sarl can be obtained from the company secretary at the registered office, 7 Val Ste Croix L-1371 Luxembourg

On 2 February 2007 the ultimate controlling party became Land Securities Group PLC, when LST SMIF Limited Partnership acting through its general partnership, LST SMIF Partnership GP Limited, purchased the entire issued share capital of Star SMIF Investments Luxembourg Sarl The ultimate controlling party of LST SMIF Limited Partnership and LST SMIF Partnership GP Limited is Land Securities Group PLC

Star SMIF Investments Luxembourg Sarl changed its name to SMIF Investments Luxembourg Sarl on 3 April 2007