Prestbury SX Limited

Report and Financial Statements

Year ended

30 September 2007

Company No 05423413

Contents

Directors

N M Leslau
S L Gumm
T J Evans

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 year ended 30 September 2007

The directors present their report together with the audited financial statements for the year ended 30 September 2007

Results and dividends

The results of the company are set out in the profit and loss account on page 7 and show a loss after tax for the year of £595,540 (2006 profit of £666,347)

The directors do not recommend the payment of a dividend (2006 £nil)

Principal activities, review of business and future developments

The principal activity of the company is the provision of finance to and holding of investments in fellow group companies within the property investment group headed by PSX Holdings Limited

The company does not undertake any property investment operations in its own right but charges property owning subsidiaries interest on intercompany loans to cover the external bank debt charges and administrative expenses it incurs
The directors are satisfied with the performance of the company in the year

Details of the post balance sheet events can be found in note 17 to the accounts

Directors

The directors who held office during the year were

N M Leslau
S L Gumm
T J Evans
J C McMahon (resigned 5 June 2007)
B S Anderson (resigned 5 June 2007)

No director had any interest in the share capital of the company during the year

The directors of the company, except for T J Evans, are also directors of the parent company, PSX Holdings Limited, and their interests in the share capital of that company, if any, are shown in its financial statements

Principal risks and uncertainties - risk management objectives and policies

The management of risk is integral to the company's approach to running its financing and investment activities The company utilises secured bank debt and shareholder loans to fund property investment purchases of the group of which the company is a member Cash resources generated from the group's operations, including those resulting from strict credit control over its short term debtors and creditors, are utilised in meeting the group's working capital requirements

Set out below are the policies operated by the company and the group, of which the company is a member, for the management of the principal risks and uncertainties that it is exposed to in the conduct of its operations

Since the Summer of 2007, both the bank finance and property markets in the UK have experienced very turbulent conditions As we have pointed out in prior years, the portfolio of properties owned by fellow group undertakings on which the credit facilities extended to this company are secured, is well placed to withstand market fluctuations by virtue of long leases, strong tenants, annual rental uplifts and long term financing The properties are held in the financial statements of those respective group undertakings at their 30 September 2007 valuation and the Directors do not consider the that valuations have deteriorated significantly since that date

General treasury policy

The company enters into hedging instruments, such as interest rate swaps running for at least the term of the relevant loan, to manage the interest rate risks arising from the group's operations and its sources of finance

In addition, various financial instruments such as rental and other debtors and trade and other creditors arise directly from the group's operations

All the group's operations are in the UK and it therefore has no currency risks

Operations are predominantly financed by a mixture of bank borrowings and shareholders' loans Bank loans are at fixed rates, by way of purchases of interest rate hedging products (swaps and swaptions) and are secured on the group's assets

Working capital requirements are met principally by cash resources generated from the group's operations Cash levels are monitored regularly to ensure sufficient resources are available to meet the group's short term and long term operational requirements Short term money market deposits are used to manage liquidity whilst maximizing the rate of return on cash resources, giving due consideration to risk

Details of interest rate swaps in use at 30 September 2007 are set out in note 11 to the financial statements Details of bank and shareholder loan borrowings are set out in note 10 to the financial statements

Policy in relation to interest rate risk

The company's policy is to substantially eliminate risk in respect of changes in interest rates such that over the longer term changes in interest rates will have a minimal impact on the reported results and cash flows Interest rate risks are hedged in full for the term of the relevant loan

The company maintains internal guidelines for interest cover and gearing Management monitor the company's current and projected financial position against these guidelines on at least a quarterly basis

Policy in relation to liquidity risk

The group, of which the company is a member, seeks to manage its liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs

Efficient treasury management and strict credit control over the group's rental and other debtors minimise the costs and risks associated with this policy, which ensures that funds are available to meet commitments as they fall due

Policy in relation to credit risk

The company's principal financial assets are bank balances, short term deposits, investments in subsidiary undertakings and amounts due from fellow group undertakings The company's credit risk on short term deposits and hedging instruments is limited because the counterparties are banks with good credit ratings

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 year 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, and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records 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

Auditors

All of the current directors have taken all 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 which has not been brought to the attention of the auditors

BDO Stoy Hayward LLP, have expressed their willingness to continue in office A resolution to re-appoint them will be proposed at the annual general meeting

On behalf of the Board

S L Gumm
Director

12 May 2008

PRESTBURY SX LIMITED

Report of the independent auditors

We have audited the financial statements of Prestbury SX Limited for the year ended 30 September 2007 on pages 7 to 16, which have been prepared under the accounting policies set out on page 10

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing 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)

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 and whether the information given in the Directors' Report is consistent with the 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 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 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 30 September 2007 and of its loss 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

BDO Stoy Hayward

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
Epsom

13 May 2008

PRESTBURY SX LIMITED

Profit and loss account for the year ended 30 September 2007

	Note	2007 £	2006 £
Administrative expenses		**(139,067)**	(118,151)
Operating loss	2	**(139,067)**	(118,151)
Interest receivable	4	**6,860,944**	7,333,071
Interest payable and similar charges	5	**(7,317,417)**	(6,544,949)
(Loss)/profit on ordinary activities before taxation		**(595,540)**	669,971
Taxation on (loss)/profit on ordinary activities	6	**-**	(3,624)
Retained (loss)/profit for the year	13	**(595,540)**	666,347

All amounts relate to continuing activities

There were no differences between historical cost result and reported result on ordinary activities for either year

There were no differences between the recognised gains and losses and reported result for either year

The notes on pages 10 to 16 form part of the financial statements

Reconciliation of movements in shareholders' deficit for the year ended 30 September 2007

Reconciliation of movements in shareholders' deficit

	Note	2007 £	2006 £
(Loss)/profit for the year	13	**(595,540)**	666,347
(Increase)/decrease in shareholders' deficit		**(595,540)**	666,347
Opening shareholders' deficit		**(557,112)**	(1,223,459)
Closing shareholders' deficit		**(1,152,652)**	(557,112)

The notes on pages 10 to 16 form part of the financial statements

PRESTBURY SX LIMITED

Balance sheet at 30 September 2007

	Note	2007	2007	2006	2006
		£	£	£	£
Fixed assets					
Investments in subsidiaries	7		2,377,324		2,377,325
Current assets					
Debtors due within one year	8	28,987		24,986	
Debtors due after more than one year	8	99,812,288		99,462,022	
Cash at bank and in hand		2,039,458		2,009,843	
		101,880,733		101,496,851	
Creditors amounts falling due within one year	9	(11,893,064)		(1,664,714)	
Net current assets			89,987,669		99,832,137
Total assets less current liabilities			92,364,993		102,209,462
Creditors: amounts falling due after more than one year	10		(93,517,645)		(102,766,574)
Net liabilities			(1,152,652)		(557,112)
Capital and reserves					
Called up share capital	12		10,000		10,000
Profit and loss account	13		(1,162,652)		(567,112)
Shareholders' deficit			(1,152,652)		(557,112)

The financial statements were approved by the Board and authorised for issue on 12 May 2008

S L Gumm
Director

The notes on pages 10 to 16 form part of the financial statements

1 Accountıng polıcies

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal ın relatıon to the company's financıal statements

Basıs of preparatıon

The financıal statements have been prepared under the hıstorıcal cost conventıon and are ın accordance wıth applıcable accountıng standards

The company ıs exempt by vırtue of s228 of the Companıes Act 1985 from the requırement to prepare group accounts These financıal statements present ınformatıon about the company as an ındıvıdual undertakıng and not about ıts group The consolıdated financıal statements of PSX Holdıngs Lımıted, wıthın whıch thıs company ıs ıncluded, can be obtaıned from the address gıven ın note 16

Deferred taxatıon

Deferred tax balances are recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed by the balance sheet date except that the recognıtıon of deferred tax assets ıs lımıted to the extent that the company antıcıpates to make suffıcıent taxable profits ın the future to absorb the reversal of the underlyıng tımıng dıfferences

Deferred tax balances are not dıscounted

Investment ın subsıdıary undertakıngs

Investments ın subsıdıary undertakıngs are stated at cost Any permanent dımınutıon ın value ıs wrıtten off to the profit and loss account

Fınancıal ınstruments

The company does not trade ın derıvatıve financıal ınstruments Hedgıng ınstruments are used to protect the company's exposure to movements ın ınterest rates Gaıns or losses are not recognısed ın the accounts untıl the related ınterest ın the hedgıng ınstrument ıs realısed

Loan ıssue and hedgıng costs

Costs relatıng to the raısıng of bank loan facılıtıes, ıncludıng the costs assocıated wıth the purchase of hedgıng ınstruments, are amortısed over the lıfe of the loan or hedgıng ınstrument as approprıate and charged to the profit and loss account as part of the company's financıng costs The bank loans are dısclosed net of the unamortısed loan ıssue and hedgıng costs

2 Operatıng loss

	2007	2006
	£	£
Thıs ıs arrıved at after chargıng		
Audıtors' remuneratıon		
- audıt servıces	33,135	28,200

The company bears the costs of the audıtors' remuneratıon for the whole group The fees for the audıt of the company ıtself were £999 (2006 £999)

3 Employees and dırectors

The average number of employees of the company durıng the year, excludıng dırectors, was nıl (2006 nıl)

No dırector receıved any emoluments from the company durıng the year (2006 £nıl)

4 Interest receivable

	2007	2006
	£	£
Interest receivable on loans to group undertakings	**6,807,638**	7,288,228
Bank interest	**52,155**	40,944
Other interest receivable	**1,151**	3,899
	6,860,944	7,333,071

5 Interest payable and similar charges

	2007	2006
	£	£
Interest payable on loans from group undertaking	**39,425**	18,768
On bank loans	**6,674,799**	6,175,404
Other finance costs	**93,000**	70,422
Amortisation of prepaid finance fees	**510,193**	280,355
	7,317,417	6,544,949

6 Taxation

	2007	2006
	£	£
Current tax		
UK corporation tax on (loss)/profit	-	-
Deferred tax		
Reversal of timing differences-non-trade financial losses to be utilised	-	(3,624)
Taxation on (loss)/profit on ordinary activities	-	(3,624)

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

	2007	2006
	£	£
(Loss)/profit on ordinary activities before tax	**(595,540)**	669,971
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	**(178,662)**	200,991
Effects of		
Disallowable expenses	-	30
Group relief claimed	**178,662**	(201,021)
Current tax for year	-	-

7 Fixed assets

Investments in subsidiary undertaking

	Subsidiary undertakings £
Cost and net book value	
At 30 September 2007 and 30 September 2006	2,377,324

Subsidiary undertakings

The following were direct subsidiary undertakings at the end of the year

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
PSX Equityco Limited*	England	100%	Intermediate holding company
Blaxmill (Thirty-Nine) Limited	England	100%	Not active
Blaxmill (Forty-Three) Limited	England	100%	Not active

* The above company owns 100% of the share capital of PSX BondCo Limited, an intermediate holding company, which in turn owns 100% of the issued share capital of PSX Noteco Limited, an intermediate holding company

PSX Noteco Limited owns 100% of the issued share capital of PSX PropholdCo Limited, an intermediate holding company, which owns 100% of the issued share capital of PSX PropCo Limited and PSX Willesden Limited These companies are property investment companies All of the undertakings listed above are incorporated in England

8 Debtors

	2007 £	2006 £
Due within one year		
Other debtors	4,000	-
Prepayments and accrued income	24,987	24,986
	28,987	24,986
Due after more than one year		
Amounts receivable from subsidiary undertakings	99,812,288	99,462,022
Total debtors	99,841,275	99,487,008

The intercompany loans are unsecured, bear interst at 7 9% and have no fixed repayment date The above amount includes interest accrued of £17,156,834 (2006 £10,349,227)

9 Creditors Amounts falling due within one year

	2007 £	2006 £
Trade creditors	15	19,885
Current portion of secured loans (note 10)	10,746,764	503,662
Accruals and deferred income	1,146,285	1,141,167
	11,893,064	1,664,714

10 Creditors: Amounts falling due after more than one year

	2007	2006
	£	£
Secured bank loans (see below)	**102,039,161**	101,855,329
Prepaid finance fees	**(1,588,852)**	(2,101,359)
	100,450,309	99,753,970
Less secured debt due within one year (note 9)	**(10,746,764)**	(503,662)
	89,703,545	99,250,308
Amounts due to subsidiary undertakings	**720,062**	422,228
Shareholders' loans (see below)	**3,094,038**	3,094,038
	93,517,645	102,766,574

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 £59,377 (2006 £20,429) is included in the above figure

The shareholders' loans are unsecured, non-interest bearing and are subordinated to the bank debt (see note 14)

The secured financial liabilities are due	2007	2006
	£	£
Within one year	**10,746,764**	503,662
Between one and two years	**1,101,799**	10,289,443
In more than two years but not more than five years	**4,914,973**	4,136,702
In more than five years	**85,275,625**	86,925,522
	102,039,161	101,855,329

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

The company'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 6 69% (2006 6 69%) on £9 25m and 6 54% on the remainder of the bank loans (2006 6 54%)

£9 25m of the bank loans, together with the related capitalised interest, is repayable by 31 December 2007 with the remainder repayable quarterly from the rental surplus and the balance payable in full by May 2015 The directors have refinanced the loans due for repayment on 31 December 2007, with loans in the amount of £10,226,467 These loans have a repayment date of 31 December 2009 Other than the repayment date, the terms of the refinancing are not materially different from the current loan terms

11 Financial instruments

The following financial instruments were in place at 30 September 2007

	Protected Rate %	Expiry	2007 Market value gain/(loss) £	2006 Market value gain/(loss) £
£89 1 million (2006 £89 6 million) amortising swap	4 94%	May 2015	**2,662,000**	574,000
£2 8 million amortising swap	4 70%	July 2015	**126,500**	64,000
£9 25 million zero coupon swap	5 07%	December 2007	**(793,465)**	(190,847)
Total gain/(loss) pre tax			**1,995,035**	447,153
Total gain/(loss) post tax			**1,396,525**	313,007

The market values of our hedging portfolio change with interest rate fluctuations, but the exposure of the company to movements in interest rates is protected by way of the hedging products 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 company of cancelling its interest rate protection at 30 September 2007, which is generally a marginally higher cost (or smaller gain) than a market valuation

The company 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

12 Share capital

Authorised	2007 Number	2007 £	2006 Number	2006 £
10,000 ordinary shares of £1 each	**10,000**	**10,000**	10,000	10,000

Allotted, called up and fully paid	2007 Number	2007 £	2006 Number	2006 £
10,000 ordinary shares of £1 each	**10,000**	**10,000**	10,000	10,000

13 Reserves

	Profit and loss account £
At 30 September 2006	(567,112)
Retained loss for the year	(595,540)
At 30 September 2007	**(1,162,652)**

14 Related party transactions

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Transactions", not to disclose details of any transactions with entities that are included in the consolidated financial statements of PSX Holdings Limited

The aggregate loans due to shareholders are set out in note 10 These include the following amounts due to investors holding a 20% or more interest in the equity of the parent company

	2007	2006
	£	£
West Coast Capital Prestven Limited	1,457,049	1,457,049
Uberior Ventures Limited	1,117,041	1,117,041
Prestbury Investment Holdings Limited	343,521	343,521

Prestbury Investment Holdings Limited ("PIHL"), a shareholder in PSX Holdings Limited, has a 100% interest in PIHL Wentworth Manager Limited ("PIHLWML") PIHLWML holds a 10% interest in PSX Holdings Limited and PIHL itself holds 10% 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 (2006 £nil)

Uberior Ventures Limited, a shareholder in PSX Holdings Limited at the balance sheet date, is a wholly owned group undertaking of HBOS plc (HBOS) The HBOS group provides banking and credit facilities to the company and the group

The following is a summary of the significant transactions undertaken by the company with HBOS during the year and balances with HBOS at 30 September 2007 and 30 September 2006

	2007	2006
Profit and loss account	£	£
Bank loan interest payable	6,674,799	6,175,404
Financing costs amortised	410,510	193,603
Other finance costs	93,000	70,422
Bank interest receivable	52,155	40,944
Administrative expenses (equity monitoring fees)	70,500	24,941
Balance sheet		
Financing costs paid to HBOS capitalised (net of amortisation charge for the period)	1,266,669	1,677,179
Bank loan falling due within one year	10,746,764	503,662
Bank loan falling due in greater than one year	91,292,397	101,351,667

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

Equity monitoring fees of £23,500 (2006 £24,941) each have also been expensed in the company's profit and loss account in respect of fees due for the year to 30 September 2007 to PIHL and West Coast Capital Prestven Limited

15 Cash flow statement

The company has used the exemption under Fmancial Reportmg Standard 1, "Cash Flow Statements", not to prepare a cash flow statement, as a consolidated cash flow statement is included in the financial statements of PSX Holdings Ltd

16 Ultimate controlling party information

The company's immediate and ultimate parent company is PSX Holdings Limted, which is a joint venture company incorporated in England and Wales and is not controlled by any one entity or individual The consolidated accounts of PSX Holdings Limited are available to the public and may be obtained from the company secretary, Cavendish House, 18 Cavendish Square, London W1G 0PJ

17 Post balance sheet events

In December 2007, the directors of the company refinanced the loans due for repayment on 31 December 2007, in the amount of £10 8m, extending the repayment date by a further 2 years Other than the repayment date, the terms of the refinancing are not materially different from the current loan terms