Prestbury SX Limited

Report and Financial Statements

Year ended

30 September 2010

Company No 05423413

Contents

Directors

T J Evans
S L Gumm
N M Leslau

Secretary and registered office

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

Company number

05423413

Auditors

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

The directors present their report together with the audited financial statements for the year ended 30 September 2010

Results and dividends

The results of the company are set out in the profit and loss account on page 7 and show a profit after tax for the year of £3,044,337 (2009 £6,355,998 loss)

The directors do not recommend the payment of a dividend (2009 £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

On 30 June 2010, £12,632,000 of the company's secured bank debt was due to expire This facility was refinanced prior to its maturity and the repayment date was extended such that the loan is now repayable in full by 6 May 2015, in line with other loans held by the company

The recovery in the investment values of properties held by subsidiaries has enabled the write back of £4,692,976 of provisions made against the value of amounts due from subsidiaries in the prior year

The directors are satisfied with the performance of the company in the year

Post balance sheet events

There have been no events since the balance sheet date that materially affect the position of the company

Directors

The directors who held office during the year were

T J Evans
S L Gumm
N M Leslau

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

Principal risks and uncertainties - market factors

Since the summer of 2007, both the bank finance and property markets in the UK have experienced very turbulent conditions Whilst conditions have improved, the environment is still somewhat fragile, in particular as a result of the limited amount of new bank finance available The directors consider the portfolio of properties, against which the company's bank debt is secured against, owned by the group, relatively well placed to withstand market fluctuations by virtue of the quality of the assets and financing terms and believe that this has been borne out by the results of the group over that period

However, the future of Southern Cross currently seems uncertain Whilst the tenant has negligible net debt it claims to have over-stretched itself by entering into a sale and leaseback model across its entire estate where it is now claiming the rents it is paying are too high There has been talk of an approach from the tenant's representatives seeking to reduce the rent liabilities albeit this company, as one of Southern Cross's smaller landlords, has yet to receive a formal approach

The group in which the company is a member holds the properties in the financial statements at their 30 September 2010 internal valuations It has to be recognised, however, that given the limited banking market and lack of depth in the property investment market, any accurate assessment of the value remains extremely difficult, as it has been over the course of the credit crisis

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 2010 are set out in note 12 to the financial statements Details of bank and shareholder loan borrowings are set out in note 11 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 predominately 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 regulations

Company law requires the directors to prepare financial statements for each financial year 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) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

* select suitable accounting policies and then apply them consistently,
* make judgements and accounting estimates that are reasonable and prudent,
* state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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 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 LLP have expressed their willingness to continue in office

On behalf of the Board

S L Gumm
Director

11 February 2011

Independent auditor's report to the members of Prestbury SX Limited

We have audited the financial statements of Prestbury SX Limited for the year ended 30 September 2010 on pages 7 to 15, which have been prepared under the accounting policies set out on page 10 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the statement of director's responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes as assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

* give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit for the year then ended,
* have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
* have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

* adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
* the financial statements are not in agreement with the accounting records and returns, or
* certain disclosures of directors' remuneration specified by law are not made, or
* we have not received all the information and explanations we require for our audit

BDO

Russell Field (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Epsom
United Kingdom
15 February 2011
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PRESTBURY SX LIMITED

Profit and loss account for the year ended 30 September 2010

	Note	2010 £	2009 £
Administrative expenses		**(126,492)**	(126,380)
Operating loss	2	**(126,492)**	(126,380)
Provision against amounts receivable from group undertakings	8	**4,690,954**	(4,692,976)
Interest receivable	4	**5,225,403**	5,778,084
Interest payable and similar charges	5	**(6,741,236)**	(7,434,908)
Profit / (loss) on ordinary activities before taxation		**3,048,629**	(6,476,180)
Taxation on profit / (loss) on ordinary activities	6	**(4,292)**	120,182
Retained profit / (loss) for the year	14	**3,044,337**	(6,355,998)

All amounts relate to continuing activities

There were no differences between historical cost profit / (loss) and reported profit / (loss) on ordinary activities for either year

There were no differences between the recognised gains and losses and reported profit / (loss) for either year

The notes on pages 10 to 15 form part of the financial statements

PRESTBURY SX LIMITED

Reconciliation of movements in shareholders' deficit for the year ended 30 September 2010

	Note	2010 £	2009 £
Profit / (loss) for the year and decrease / (increase) in shareholders' deficit	14	**3,044,337**	(6,355,998)
Opening shareholders' deficit		**(8,762,569)**	(2,406,571)
Closing shareholders' deficit		**(5,718,232)**	(8,762,569)

The notes on pages 10 to 15 form part of the financial statements

PRESTBURY SX LIMITED

Company number 05423413

Balance sheet at 30 September 2010

	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Investment in subsidiaries	7		**2,351,799**		2,351,799
Current assets					
Debtors due within one year	8	**24,986**		24,987	
Debtors due after more than one year	8	**96,854,256**		93,926,957	
Cash at bank and in hand	9	**2,175,013**		2,074,010	
		99,054,255		96,025,954	
Creditors: amounts falling due within one year	10	**(1,882,547)**		(14,400,276)	
Net current assets			**97,171,708**		81,625,678
Total assets less current liabilities			**99,523,507**		83,977,477
Creditors: amounts falling due after more than one year	11		**(105,241,739)**		(92,740,046)
Net liabilities			**(5,718,232)**		(8,762,569)
Capital and reserves					
Called up share capital	13		**10,000**		10,000
Profit and loss account	14		**(5,728,232)**		(8,772,569)
Shareholders' deficit			**(5,718,232)**		(8,762,569)

The financial statements were approved by the Board and authorised for issue on 11 February 2011

S L Gumm
Director

The notes on pages 10 to 15 form part of the financial statements

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group The consolidated financial statements of PSX Holdings Limited, within which this company is included, can be obtained from the address given in note 17

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Investment in subsidiary undertakings

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

Financial instruments

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

Loan issue costs

Costs relating to the raising of bank loan facilities are amortised over the life of the loan and charged to the profit and loss account as part of the company's financing costs The bank loans are disclosed net of the unamortised loan issue costs

2 Operating loss

	2010	2009
	£	£
This is arrived at after charging		
Auditors' remuneration		
- audit services	32,312	31,050

The company bears the costs of the auditors' remuneration for the whole group The fees for the audit of the company itself were £1,040 (2009 £999)

3 Employees and directors

The average number of employees of the company during the year, excluding directors, was nil (2009 nil)

No director received any emoluments from the company during the year (2009 £nil)

4 Interest receivable

	2010	2009
	£	£
Interest receivable on loans to group undertakings	5,220,212	5,762,325
Bank interest	5,191	15,759
	5,225,403	5,778,084

5 Interest payable and similar charges

	2010	2009
	£	£
Interest payable on loans from group undertaking	**103,200**	81,188
On bank loans	**6,314,714**	6,782,577
Other finance costs	**43,808**	93,000
Amortisation of prepaid finance fees	**279,514**	478,143
	6,741,236	7,434,908

6 Taxation

6a Taxation on profit / (loss) on ordinary activities

	2010	2009
	£	£
Deferred tax		
Origination and reversal of timing differences - losses carried forward	**(4,292)**	120,182
Taxation on profit / (loss) on ordinary activities	**(4,292)**	120,182

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

	2010	2009
	£	£
Profit / (loss) on ordinary activities before tax	**3,048,629**	(6,476,180)
Profit / (loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 28%)	**853,616**	(1,813,330)
Effects of		
Group relief surrendered	**459,851**	379,114
Losses available to carry forward	-	120,182
Provision against intercompany loan not taxable	**(1,313,467)**	1,314,033
Disallowable expenses	-	1
Current tax for year	-	-

6b Deferred tax asset

The deferred tax asset relates to taxable losses

	£
At 1 October 2009	**120,182**
Deferred tax debited to the profit and loss account in the year	**(4,292)**
At 30 September 2010	**115,890**

The deferred tax asset is considered to be recoverable after more than one year

As a result of the change in UK Corporation Tax rates which comes into effect on 1 April 2011, the deferred tax balances in these financial statements have been re-measured using a tax rate of 27%

7 Fixed assets

Investment in subsidiary undertakings

	Subsidiary undertakings £
Cost and net book value	
At 1 October 2009 and at 30 September 2010	**2,351,799**

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

	2010 £	2009 £
Due within one year		
Prepayments and accrued income	**24,986**	24,987
Due after more than one year		
Amounts receivable from subsidiary undertakings	**96,738,366**	93,806,775
Deferred tax	**115,890**	120,182
	96,854,256	93,926,957
Total debtors	**96,879,242**	93,951,944

The intercompany loans are unsecured, bear interest at 7 9% and have no fixed repayment date The above amount includes interest accrued of £34,469,864 (2009 £29,249,652) At 30 September 2010, amounts due from subsidiary undertakings of £96,738,366 (2009 £93,806,775) are shown net of provisions amounting in total to £2,022 (2009 £4,692,976) The provision was charged to the company's own profit and loss account, reflects the net liabilities of a certain indirect subsidiary undertaking as at the balance sheet date

9 Cash at bank and in hand

Included within the company's cash balances at 30 September 2010 is £1,793,101 (2009 £1,749,626) of cash in accounts held as security by the provider of the secured bank debt

10 Creditors: amounts falling due within one year

	2010	2009
	£	£
Trade creditors	22,962	-
Current portion of secured loans (note 11)	679,706	13,285,372
Accruals and deferred income	1,179,879	1,114,904
	1,882,547	14,400,276

11 Creditors: amounts falling due after more than one year

	2010	2009
	£	£
Secured bank loans (see below)	101,988,607	102,715,993
Prepaid finance fees	(944,678)	(1,181,974)
	101,043,929	101,534,019
Less secured debt due within one year (note 10)	(679,706)	(13,285,372)
	100,364,223	88,248,647
Amounts due to subsidiary undertakings	1,783,478	1,397,361
Shareholders' loans (see below)	3,094,038	3,094,038
	105,241,739	92,740,046

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 £303,466 (2009 £200,266) is included in the above figure

The shareholders' loans are unsecured, non-interest bearing and are subordinated to the bank debt (see note 15)

The secured financial liabilities are due	2010	2009
	£	£
Within one year	679,706	13,355,061
Between one and two years	786,944	1,365,747
In more than two years but not more than five years	4,011,205	5,685,475
In more than five years	96,510,752	82,309,710
	101,988,607	102,715,993

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

On 30 June 2010, £12,632,000 of the company's secured bank debt was due to expire This facility was refinanced prior to its maturity and the repayment date was extended such that the loan is now repayable in full by 6 May 2015, in line with other loans held by the company

Further to the loan refinancing on an element of the bank debt, a premium is payable on the redemption of this refinanced loan, which will be payable if the net proceeds of a future sale of the investment properties exceeds the bank loan balance at the time of the sale

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 substantially hedged

Interest has been predominately 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 14% (2009 7 785% on £10 78m and 6 54% on the remainder of the loans)

12 Financial instruments

The following financial instruments were in place at 30 September 2010

	Protected Rate %	Expiry	2010 Market value gain/(loss) £	2009 Market value gain/(loss) £
£89 8 million (2009 £87 88 million) amortising swap	4 94%	May 2015	**(12,710,163)**	(7,768,832)
£2 87 million amortising swap	4 70%	July 2015	**(356,226)**	(217,192)
£nil zero coupon swap (2009 £10 78 million)	7 785%	December 2009	**-**	(1,609,932)
Total loss pre tax			**(13,066,389)**	(9,595,956)
Total loss post tax at 28% (2009 28%)			**(9,407,800)**	(6,909,088)

The market valuation of the above financial instruments was undertaken on 30 September 2010 (2009 30 September 2009)

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 2010, 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

13 Share capital

	2010 Number	2010 £	2009 Number	2009 £
Allotted, called up and fully paid				
10,000 ordinary shares of £1 each	**10,000**	**10,000**	10,000	10,000

14 Reserves

	Profit and loss account £
At 1 October 2009	(8,772,569)
Retained profit for the year	3,044,337
At 30 September 2010	**(5,728,232)**

15 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 11 These include the following amounts due to investors holding a 20% or more interest in the equity of the parent company

	2010	2009
	£	£
West Coast Capital Prestven Limited	**1,457,409**	1,457,409
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, 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 (2009 £nil)

Uberior Ventures Limited, a shareholder in PSX Holdings Limited at the balance sheet date, is a wholly owned group undertaking of Lloyds Banking Group plc ("Lloyds") Lloyds 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 Lloyds during the year and balances with Lloyds at 30 September 2010

	2010	2009
	£	£
Profit and loss account		
Bank loan interest payable	**6,314,714**	6,782,578
Financing costs amortised	**225,852**	424,567
Other finance costs	**43,808**	93,000
Bank interest receivable	**5,191**	15,760
Administrative expenses (equity monitoring fees)	**23,715**	23,064
Balance sheet		
Financing costs paid to Lloyds capitalised (net of amortisation charge for the period)	**736,533**	952,633
Bank loan falling due within one year	**679,706**	13,355,061
Bank loan falling due in greater than one year	**101,308,901**	89,360,932

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

Equity monitoring fees of £23,715 (2009 £23,064) each have also been expensed in the company's profit and loss account in respect of fees due for the year to 30 September 2010 to PIHL and West Coast Capital Prestven Limited

As at 30 September 2010 £30,970 (2009 £30,325) is included in accruals for equity monitoring fees owed to all shareholders

16 Cash flow statement

The company has used the exemption under Financial Reporting 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 Limited

17 Ultimate controlling party information

The company's immediate and ultimate parent company is PSX Holdings Limited, 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