PW No4 Limited

Report and Financial Statements

Year ended

31 May 2008

Registered number 5504001

Contents

Directors

T J Evans
S L Gumm

Secretary and registered office

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

Company number

5504001

Auditors

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

PW NO4 LIMITED

Report of the directors for the year ended 31 May 2008

The directors present their report together with the audited financial statements for the year ended 31 May 2008.

Results and dividends

The results of the company are set out in the profit and loss account on page 6 and show a loss after tax for the year of £91,339 (2007: £439,929).

The directors do not recommend the payment of a final dividend.

Principal activities, review of business and future developments

The principal activity of the company is that of property investment in the United Kingdom.

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

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

Directors

The directors who held office during the year were:

T J Evans
S L Gumm

Principal risks and uncertainties - market factors

It has to be recognised that since the summer of 2007, both the bank finance and property markets in the UK have experienced very turbulent conditions. The directors consider the portfolio of properties owned by the group is reasonably well placed to withstand market fluctuations by virtue of the quality of the assets, the nature of the tenancy arrangements, and financing terms.

The properties are held in the financial statements at their 31 May 2008 internal valuation. It has to be recognised, however, that at this particular and uniquely difficult time in the cycle, where there is no banking market and therefore no property market to speak of, that any assessment of value is extremely difficult. We can confirm that the cash flow projections which supported the valuation at 31 May 2008 are being achieved. However, given the state of the property investment and banking markets, the directors do consider that valuations have deteriorated since 31 May 2008, but it is almost impossible to say by how much as it has to be recognised that the market for comparable transactions is very thin and for that reason the degree of certainty of this assumption is less than one aspires to in a more normal and liquid market with plenty of comparable evidence to rely upon.

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

Both 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.

This directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board

S L Gump
Director

19 December 2008

PW NO4 LIMITED

Report of the independent auditors

To the shareholders of PW No4 Limited

We have audited the financial statements of PW No4 Limited for the year ended 31 May 2008 on pages 6 to 12, which have been prepared under the accounting policies set out on page 9.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those 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 judgements 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 May 2008 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

22 December 2008

PW NO4 LIMITED

Profit and loss account for the year ended 31 May 2008

	Note	31 May 2008 £	31 May 2007 £
Turnover	1	**3,397,907**	3,315,030
Cost of sales - direct property costs		**(5,651)**	(5,125)
Gross profit		**3,392,256**	3,309,905
Administrative costs		-	(3,984)
Other income		**3,573**	-
Profit on ordinary activities before interest		**3,395,829**	3,305,921
Interest receivable and similar income		**829,130**	558,655
Interest payable and similar charges	3	**(4,316,298)**	(4,304,505)
Loss on ordinary activities before taxation		**(91,339)**	(439,929)
Taxation on loss from ordinary activities	4	-	-
Loss on ordinary activities after taxation	10	**(91,339)**	(439,929)

All amounts relate to continuing activities.

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

The notes on pages 9 to 12 form part of the financial statements.

PW NO4 LIMITED

Statement of total recognised gains and losses and reconciliation of movements in shareholders' deficit for the year ended 31 May 2008

Statement of total recognised gains and losses	Note	31 May 2008 £	31 May 2007 £
Loss for the year	10	**(91,339)**	(439,929)
Unrealised (deficit) / surplus on revaluation of investment properties	10	**(6,953,000)**	965,000
Total recognised gains and losses for the year		**(7,044,339)**	525,071

Reconciliation of movements in shareholders' deficit		31 May 2008 £	31 May 2007 £
Loss for the year	10	**(91,339)**	(439,929)
Unrealised (deficit) / surplus on revaluation of investment properties	10	**(6,953,000)**	965,000
Net (increase) / decrease in shareholders' deficit		**(7,044,339)**	525,071
Opening shareholders' deficit		**(1,804,607)**	(2,329,678)
Closing shareholders' deficit		**(8,848,946)**	(1,804,607)

The notes on pages 9 to 12 form part of the financial statements.

PW NO4 LIMITED

Balance sheet at 31 May 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Investment properties	5		**57,012,000**		63,965,000
Current assets					
Debtors due within one year	6	**353**		318	
Debtors due after more than one year	6	**13,335,566**		9,105,300	
		13,335,919		9,105,618	
Creditors: amounts falling due due within one year	7	**(219,053)**		(213,711)	
Net current assets			**13,116,866**		8,891,907
Total assets less current liabilities			**70,128,866**		72,856,907
Creditors: amounts falling due after more than one year	8		**(78,977,812)**		(74,661,514)
Net liabilities			**(8,848,946)**		(1,804,607)
Capital and reserves					
Called up share capital	9		**1**		1
Revaluation reserve	10		**(7,372,670)**		(419,670)
Profit and loss account	10		**(1,476,277)**		(1,384,938)
Shareholders' deficit			**(8,848,946)**		(1,804,607)

The financial statements were approved by the Board and authorised for issue on 19 December 2008.

S L Gumm
Director

The notes on pages 9 to 12 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, as modified by the revaluation of investment properties, and are in accordance with applicable accounting standards.

Turnover

Turnover represents rents receivable during the year from the letting of investment properties at invoiced amounts less value added tax.

Turnover is wholly attributable to the principal activity of the company and arises solely in the United Kingdom.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual valuation. Aggregate surpluses or deficits arising on valuation are transferred to the revaluation reserve. Permanent diminutions in the value of the properties are charged directly to the profit and loss account.

Additions to investment properties include only costs of a capital nature. Costs such as interest and other property outgoings are treated as revenue expenditure and are written off as incurred.

In accordance with SSAP 19 (as amended), no depreciation or amortisation is provided in respect of freehold or long leasehold investment properties. This treatment is a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, the company's investment properties are held not for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified of quantified.

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:

* deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is unable to utilise existing capital losses within the group of which it is a member; and

* 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.

2 Employees, directors and auditors' remuneration

The average number of employees of the company during the year, excluding directors, was nil (2007: nil).

No director received any emoluments from the company during the year (2007: nil).

The auditors' remuneration is borne by a fellow group company. Fees for the audit of the company were £1,750 (2007: £2,000).

3 Interest payable and similar charges

	31 May 2008 £	31 May 2007 £
Interest on unsecured loans from group undertaking	**4,316,298**	4,304,505

4 Taxation

4a Taxation on loss from ordinary activities

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

	31 May 2008 £	31 May 2007 £
Loss on ordinary activities before tax	**(91,339)**	(439,929)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2007: 30%)	**(27,402)**	(131,979)
Effects of:		
Group relief surrendered	**27,402**	131,979
Current tax charge for the year	**-**	-

4b Unprovided deferred tax liability

	31 May 2008 Unprovided £	31 May 2007 Unprovided £
Arising on carrying value of investment properties over their indexed tax base cost at 28% (2007: 30%)	6,467,980	9,394,931

5 Fixed assets

Investment properties	**Long leasehold land and buildings £**	**Freehold land and buildings £**	**Land and buildings total £**
Cost or valuation			
At 31 May 2007	2,008,892	61,956,108	63,965,000
Deficit on revaluation	(217,892)	(6,735,108)	(6,953,000)
At 31 May 2008	**1,791,000**	**55,221,000**	**57,012,000**

At 31 May 2008 the company's investment properties were revalued at £57,012,000 (2007: £63,965,000) on an open market basis by Nick Leslau BSc MRICS, a chartered surveyor and director of the ultimate parent company. The historical cost of the properties is £64,384,670 (2007: £64,384,670).

The investment properties are held as security by a fixed charge in respect of bank borrowings provided to another group company, Prestbury Wentworth Limited.

6 Debtors

	2008 £	**2007 £**
Due within one year		
Prepayments and accrued income	**353**	318
	353	318
Due after more than one year		
Amounts owed by a fellow group undertaking	**13,335,566**	9,105,300
Total debtors	**13,335,919**	9,105,618

The amounts owed by a fellow group undertaking are unsecured, bear interest at a rate of 8.02% and have no fixed repayment date. Accrued interest of £1,555,009 (2007: £725,880) is included in the balance at 31 May 2008.

7 Creditors: Amounts falling due within one year

	2008 £	**2007 £**
Accruals and deferred income	**219,053**	213,711

8 Creditors: Amounts falling due after more than one year

	2008 £	**2007 £**
Amounts owed to immediate parent company	**78,977,812**	74,661,514

The amounts owed to the immediate parent company are unsecured, bear interest at a rate of 6.45% and have no fixed repayment date. Accrued interest of £12,241,304 (2007: £7,925,006) is included in the balance at 31 May 2008.

9 Share capital

	2008 Number	2008 £	2007 Number	2007 £
Authorised				
1,000 ordinary shares of £1 each	1,000	1,000	1,000	1,000
Allotted, called up and fully paid				
1 ordinary share of £1	1	1	1	1

10 Reserves

	Revaluation reserve £	Profit and loss account £
At 31 May 2007	(419,670)	(1,384,938)
Retained loss for the year	-	(91,339)
Deficit on revaluation of investment properties in the year	(6,953,000)	-
At 31 May 2008	(7,372,670)	(1,476,277)

11 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 any transactions with entities that are included in the consolidated financial statements of Prestbury Wentworth Holdings Limited.

12 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 its ultimate parent company.

13 Controlling party information

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

14 Commitments and contingencies

The company, along with the other subsidiaries of the ultimate parent company, has entered into an agreement with the bankers of a fellow subsidiary company to cross-guarantee the bank loans made to that company. At 31 May 2008 these bank loans amounted to £495,514,071 (2007: £493,283,252).

Certain tax computations of companies within the group are being enquired into by HM Revenue & Customs. The Directors believe that the tax provisions in these accounts reflect the correct technical position and that no further sums should become payable by any group company once the enquiries are concluded. However, should the Directors' position prove incorrect, tax could become payable by the company for the 2006 and 2007.