

PIHL Property Administration Limited

Directors' report and financial statements

Registered number 05716921

31 December 2008

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PIHL PROPERTY ADMINISTRATION LIMITED

Annual report and financial statements for the year ended 31 December 2008

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Directors

N M Leslau
S L Gumm
N W Wray

Secretary and registered office

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

Company number

05716921

Auditors

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

PIHL PROPERTY ADMINISTRATION LIMITED

Report of the directors for the year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 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 £6,562,464 (2007: £2,089,095).

The directors do not recommend the payment of a dividend (2007: £nil).

Principal activities, review of business and future developments

PIHL Property Administration Limited is an investment company. It holds an interest in PIHL Property LLP, which is a partnership that invests in real estate-backed corporate and other investments.

The company is at present loss making as it has made investments with a view to making capital profits in the medium term that do not generate material income returns at present but which are financed by interest bearing contributions. This is the principal reason for the loss of £6.56 million incurred in the year.

The company's net assets performance has not been pleasing, but reflects the dramatic declines in asset values arising from the 'credit crunch' and recessionary impacts on rental values. This has resulted in a £23 million deficit on the revaluation reserve. As the majority of the underlying assets are investments held on long leases granted to good tenant covenants, the directors believe that there are reasonable prospects for medium term value recovery.

Details of material post balance sheet events can be found in note 13 to the accounts.

Directors

The directors who held office during the year were:

S L Gumm
N M Leslau
N W Wray

Statement of directors' responsibilities

The following statement is to be read in conjunction with the statement of auditors' responsibilities in the audit report on page 5.

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.

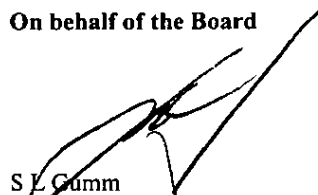
Auditors

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 LLP have expressed their willingness to continue in office.

This 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 Gumm
Director

17 December 2009

PIHL PROPERTY ADMINISTRATION LIMITED

Report of the independent auditors

To the shareholders of PIHL Property Administration Limited

We have audited the financial statements of PIHL Property Administration Limited for the year ended 31 December 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 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 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 LLP

Chartered Accountants and Registered Auditors

Epsom

United Kingdom

17 December 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PIHL PROPERTY ADMINISTRATION LIMITED

Profit and loss account for the year ended 31 December 2008

	Note	2008 £	2007 £
Administrative expenses		(250)	(4,000)
Operating profit/(loss)		(250)	(4,000)
Write down of investment in partnership	6	(1,454,211)	-
Loss on ordinary activities before interest		(1,454,461)	(4,000)
Interest receivable and similar income	3	-	63,929
Interest payable and similar charges	4	(5,108,003)	(2,149,024)
Loss on ordinary activities before taxation	2	(6,562,464)	(2,089,095)
Taxation on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	11	(6,562,464)	(2,089,095)

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.

PIHL PROPERTY ADMINISTRATION LIMITED

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

Statement of total recognised losses

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Retained loss for the year		(6,562,464)	(2,089,095)
Reversal of unrealised profit share arising from partnership investments		-	(2,874)
Unrealised deficit on revaluation of investment in partnership	11	(23,035,369)	-
		<hr/>	<hr/>
Total recognised losses		<u>(29,597,833)</u>	<u>(2,091,969)</u>

Reconciliation of movements in shareholders' deficit

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Loss for the financial year		(6,562,464)	(2,089,095)
Reversal of unrealised profit share arising from partnership investments	11	-	(2,874)
Unrealised deficit on revaluation of investment in partnership	11	(23,035,369)	-
Partial waiver of inter-company debt	8	1,454,211	-
		<hr/>	<hr/>
Increase in shareholders' deficit		(28,143,622)	(2,091,969)
Opening shareholders' deficit		<u>(2,094,747)</u>	<u>(2,778)</u>
Closing shareholders' deficit		<u>(30,238,369)</u>	<u>(2,094,747)</u>

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

Balance sheet at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Investment in PIHL Property LLP	6		32,446,436		45,450,181
Current assets					
Debtors: amounts falling due within one year	7	-		964	
Debtors: amounts falling due after one year	7	-		2,531	
Cash at bank and in hand		7		7	
		7		3,502	
Creditors: amounts falling due within one year	8	(62,683,094)		(47,548,430)	
Net current liabilities			(62,683,087)		(47,544,928)
Total assets less current liabilities			(30,236,651)		(2,094,747)
Creditors: amounts falling due after one year	9		(1,718)		-
Net liabilities			(30,238,369)		(2,094,747)
Capital and reserves					
Called up share capital	10		1		1
Revaluation reserve	11		(23,035,369)		-
Profit and loss account	11		(7,203,001)		(2,094,748)
Shareholders' deficit			(30,238,369)		(2,094,747)

The financial statements were approved by the Board and authorised for issue on 17 December 2009.

S L Gurnin
Director

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

PIHL PROPERTY ADMINISTRATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2008

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, as modified to include any revaluation of investments in partnerships.

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Prestbury Investment Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Prestbury Investment Holdings Limited, within which this company is included, can be obtained from the address given in note 12.

Other investments - partnerships

Investments in partnerships, where the company does not have the power to govern the financial and operating policies of the investee entity, are stated at directors' valuation which includes any accrued profit share. When no profit shares are accrued for, the directors' valuation will equate to the lower of cost and recoverable amount. Any valuation deficits below cost which are considered permanent are written off to the profit and loss account.

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 short term to absorb the reversal of the underlying timing differences.

Support

The parent undertaking, Prestbury Investment Holdings Limited, has confirmed that it will provide financial support sufficient for the company to continue as a going concern for the foreseeable future.

2 Directors, employees, auditors' remuneration and loss on ordinary activities before taxation

The directors received no remuneration for their services to the company (2007: £nil). The company had no employees in the current or prior year.

All losses relate to the company's principal activities and are derived wholly within the United Kingdom.

The auditors' remuneration is borne by the parent company (2007: borne by the company). Fees payable to the company's auditors for the audit of the company's annual accounts were £4,000 (2007: £4,250).

3 Interest receivable and similar income

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Interest received on cash balances	-	63,929

PIHL PROPERTY ADMINISTRATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2008

(continued)

4 Interest payable and similar charges

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
On loans from parent undertaking	5,108,003	2,149,024

5 Taxation

a) Analysis of the tax charge for the year:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
UK corporation tax on loss for the year	-	-

b) Factors affecting the current tax credit for the current year:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(6,562,464)	(2,089,095)
Current tax at the UK standard average rate of 28.5% (2007: 30%)	(1,870,302)	(626,729)
Effects of:		
Current year losses carried forward - deferred tax asset not recognised	1,092,741	626,729
Group relief surrendered	363,123	-
Write down of investment in partnership - non tax deductible	414,450	-
Management expenses allocated from underlying partnership	(12)	-
Total current tax charge	-	-

c) Unprovided deferred tax asset:

The company has estimated revenue related losses available to carry forward to utilise against future suitable profits of £5,928,945 (2007: £2,094,765).

The directors are not aware of any other significant factors that may affect future tax charges that are not disclosed above.

PIHL PROPERTY ADMINISTRATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2008

(continued)

6 Investment in partnerships

	2008 £
At valuation:	
At 1 January 2008	45,450,181
Additions - B capital invested in the year	11,910,793
Repayment of capital in the year	(424,958)
Unrealised deficit on revaluation of investment in partnership	(23,035,369)
Permanent write down of investment	(1,454,211)
	<hr/>
At 31 December 2008	<u>32,446,436</u>

The historic cost of the investment is £55,481,805 (2007: £45,450,181).

On 31 March 2006, the company made an A capital contribution of £5 into PIHL Property LLP ("the LLP") representing 0.1% of the A capital and therefore 0.1% of the voting rights. The principal activity of the LLP is that of investment in real estate and real estate-backed corporate and other investments. During 2008, the company made further B capital contributions of £11,910,793 (2007: £45,356,371) to the LLP. The B capital entitles the company to receive a 9% priority profit share, provided that the underlying investments held by the LLP in aggregate generate a return in excess of 9%, but confers no voting rights. The company holds 99.99% of the B capital of the LLP.

The company's net assets performance has not been pleasing, but reflects the dramatic declines in market values arising from the 'credit crunch' and recessionary impacts on rental values. This has resulted in a £23 million deficit on revaluation reserve. As the majority of the underlying assets are investments held on long leases granted to good tenant covenants, the directors believe that there are reasonable prospects for medium term value recovery.

The LLP is registered and operates in England and Wales.

7 Debtors

	2008 £	2007 £
<i>Amounts due within one year</i>		
Other debtors	-	964
	<hr/>	<hr/>
<i>Amounts due after one year</i>		
Amounts due to group undertaking	-	2,531
	<hr/>	<hr/>

8 Creditors: amounts falling due within one year

	2008 £	2007 £
Accruals and deferred income	-	4,000
Amounts due to parent company	62,683,094	47,544,430
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	62,683,094	47,548,430
	<hr/>	<hr/>

Loans from the parent company are unsecured, bear interest at 9% pa and are repayable on demand. The above amount includes accrued interest of £7,196,642 (2007: £2,127,656).

During the year the parent company waived £1,454,211 of the intercompany debt due to it from the company following the permanent write down of the investment referred to in note 6. This amount has been treated as a capital contributions and has accordingly been credited direct to reserves.

PIHL PROPERTY ADMINISTRATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2008

(continued)

9 Creditors: amounts falling due after one year

	2008 £	2007 £
Amounts due to group undertaking	1,718	-

10 Share capital

	2008 £	2007 £
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1	1	1

11 Reserves

	Revaluation Reserve £	Profit and loss account £
At 1 January 2008	-	(2,094,748)
Retained loss for the year	-	(6,562,464)
Unrealised deficit on revaluation of investment in PIHL Property LLP	(23,035,369)	-
Partial waiver of intercompany debt	-	1,454,211
At 31 December 2008	(23,035,369)	(7,203,001)

12 Parent entity information

The only group in which the results of the company are consolidated is that headed by Prestbury Investment Holdings Limited, the company's parent undertaking, which is incorporated in England and Wales. The consolidated accounts of that company are available to the public and may be obtained from the Company Secretary, Cavendish House, 18 Cavendish Square, London, W1G 0PJ. The ultimate parent entity of the company is Lesray LLP, an LLP which is incorporated in England and Wales that does not prepare and is not required to prepare consolidated accounts.

13 Post balance sheet events

In January 2009, the company contributed £562,100 of B capital in cash to PIHL Property LLP. The terms of the B capital investments are explained in note 6. The investments were financed by interest bearing loans from the company's parent undertaking.

In March 2009, the company contributed £419,421 of B capital in cash to PIHL Property LLP. The terms of the B capital investments are explained in note 6. The investments were financed by interest bearing loans from the company's parent undertaking.

In July 2009, the company contributed £709,043 of B capital in cash to PIHL Property LLP. The terms of the B capital investments are explained in note 6. The investments were financed by interest bearing loans from the company's parent undertaking.

In September 2009, the company contributed £477,978 of B capital in cash to PIHL Property LLP. The terms of the B capital investments are explained in note 6. The investments were financed by interest bearing loans from the company's parent undertaking.

In December 2009, the company contributed £378,425 of B capital in cash to PIHL Property LLP. The terms of the B capital investments are explained in note 6. The investments were financed by interest bearing loans from the company's parent undertaking.