

PIHL Property Administration Limited

Directors' report and financial statements

Registered number 05716921

31 December 2009

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PIHL PROPERTY ADMINISTRATION LIMITED

Annual report and financial statements for the year ended 31 December 2009

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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 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

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 £5,792,045 (2008 £6,562,464)

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 £5.79 million incurred in the year.

During the prior year, one of the partners in PIHL Property LLP's underlying partnership investment defaulted on its obligations under the partnership agreement. This resulted in the defaulting partner's stake being forfeited and the other investors benefiting by their pro rata share of the defaulting partner's interest, the company benefiting by an increase in its underlying stake from 21.05% to 26.67%. In the current year we have reassessed the extent of provision needed against the company's underlying interests in the partnership and as a result of this and other net asset movements in the underlying investments, the company's interest in the partnership has been revalued upwards by £14.7m.

Details of material post balance sheet events can be found in note 11 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 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 period.

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, 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.

PIHL PROPERTY ADMINISTRATION LIMITED

Report of the directors for the year ended 31 December 2009

(continued)

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.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

On behalf of the Board



**S. L. Gumm
Director**

1 September 2010

PIHL PROPERTY ADMINISTRATION LIMITED

Independent auditor's report to the members of PIHL Property Administration Limited

We have audited the financial statements of PIHL Property Administration Limited for the year ended 31 December 2009 on pages 6 to 12, which have been prepared under the accounting policies set out on page 9. 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 directors' responsibilities set out on page 3, 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 an 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 31 December 2009 and of its loss 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 matter 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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime.



Russell Field (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
Epsom

United Kingdom
2 September 2010

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 2009**

	Note	2009 £	2008 £
Administrative expenses		(405)	(250)
Operating loss		(405)	(250)
Write down of investment in partnership	5	-	(1,454,211)
Loss on ordinary activities before interest		(405)	(1,454,461)
Interest payable and similar charges	3	(5,791,640)	(5,108,003)
Loss on ordinary activities before taxation		(5,792,045)	(6,562,464)
Taxation on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	9	(5,792,045)	(6,562,464)
All amounts relate to continuing activities			

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

PIHL PROPERTY ADMINISTRATION LIMITED

Statement of total recognised gains and losses and reconciliation of movements in shareholders' deficit and note of historical cost profits and losses for the year ended 31 December 2009

Statement of total recognised gains and losses

	Note	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Loss for the financial year	9	(5,792,045)	(6,562,464)
Unrealised surplus/(deficit) on revaluation of investment in partnership	9	14,718,683	(23,035,369)
Total recognised gains and losses		<u>8,926,638</u>	<u>(29,597,833)</u>

Reconciliation of movements in shareholders' deficit

	Note	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Loss for the financial year	9	(5,792,045)	(6,562,464)
Unrealised surplus/(deficit) on revaluation of investment in partnership	9	14,718,683	(23,035,369)
Partial waiver of inter-company debt		-	1,454,211
Movement in shareholders' deficit		<u>8,926,638</u>	<u>(28,143,622)</u>
Opening shareholders' deficit		<u>(30,238,369)</u>	<u>(2,094,747)</u>
Closing shareholders' deficit		<u>(21,311,731)</u>	<u>(30,238,369)</u>

Note of historical cost losses

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Reported loss on ordinary activities before taxation	(5,792,045)	(6,562,464)
Temporary diminution in investment in partnership now permanent	(2,140,119)	-
Historical cost loss on ordinary activities before taxation	<u>(7,932,164)</u>	<u>(6,562,464)</u>
Retained historical cost loss for the year after taxation	<u>(7,932,164)</u>	<u>(6,562,464)</u>

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

Balance sheet at 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Investment in PIHL Property LLP	5		49,719,770		32,446,436
Current assets					
Cash at bank and in hand		8		7	
		<u>8</u>		<u>7</u>	
Creditors: amounts falling due within one year	6	(71,029,760)		(62,683,094)	
Net current liabilities			(71,029,752)		(62,683,087)
Total assets less current liabilities			(21,309,982)		(30,236,651)
Creditors: amounts falling due after one year	7		(1,749)		(1,718)
Net liabilities			(21,311,731)		(30,238,369)
Capital and reserves					
Called up share capital	8		1		1
Revaluation reserve	9		(6,176,567)		(23,035,369)
Profit and loss account	9		(15,135,165)		(7,203,001)
Shareholders' deficit			(21,311,731)		(30,238,369)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

The financial statements were approved by the Board and authorised for issue on 1 September 2010



S L Gump
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 2009

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 10

Other investments - partnerships

Investments in partnerships, where the company does not have the power to govern or exercise significant influence over 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 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 for the financial year

The directors received no remuneration for their services to the company (2008 £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 Fees payable to the company's auditors for the audit of the company's annual accounts were £3,500 (2008 £4,000)

3 Interest payable and similar charges

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
On loans from parent undertaking	5,791,640	5,108,003

PIHL PROPERTY ADMINISTRATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2009

(continued)

4 Taxation

a) Analysis of the tax charge for the year

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
UK corporation tax on loss for the year	-	-

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

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,792,045)	(6,562,464)
Current tax at the UK standard rate of 28% (2008 28.5%)	(1,621,773)	(1,870,302)
Effects of		
Current year losses carried forward - deferred tax asset not recognised	575,051	1,092,741
Group relief surrendered	1,046,617	363,123
Write down of investment in partnership - non tax deductible	-	414,450
Management expenses allocated from underlying partnership	-	(12)
Disallowable expenses	105	-
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 £7,982,698 (2008 £5,928,945)

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 2009

(continued)

5 Investment in partnerships

	2009 £
At valuation	
At 1 January 2009	32,446,436
Additions - B capital invested in the year	2,554,651
Unrealised surplus on revaluation of investment in partnership	14,718,683
	<hr/>
At 31 December 2009	<u>49,719,770</u>

The historic cost of the investment net of any permanent write downs is £56,548,404 (2008 £55,481,805)

During the year, £2,140,119 (2008 £nil) of temporary revaluations arising in the prior year were now considered to be permanent in nature and were transferred to the profit and loss reserve

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 2009, the company made further B capital contributions of £2,554,651 (2008 £11,910,793) 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.

During the prior year, one of the partners in PIHL Property LLP's underlying partnership investment defaulted on its obligations under the partnership agreement. This resulted in the defaulting partner's stake being forfeited and the other investors have taken their pro rata share of the defaulting partner's interest. As a result, PIHL Property LLP's interest in the investment increased from 21.05% to 26.67%. The company's interests in the partnership have been revalued upwards by £14.72 million in the year following a reassessment of the extent of provision needed against this investment following consideration of the net asset values of the underlying investments at 31 December 2009. As the majority of the underlying assets are investments held on long leases granted to good tenant covenants, the directors believe that there remain reasonable prospects for medium term value recovery.

The LLP is registered and operates in England and Wales.

6 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	375	-
Amounts due to parent company	71,029,385	62,683,094
	<hr/>	<hr/>
	<u>71,029,760</u>	<u>62,683,094</u>

Loans from the parent company are unsecured, bear interest at 9% pa and are repayable on demand. The above amount includes accrued interest of £12,988,282 (2008 £7,196,642).

During the year the parent company waived £nil (2009 £1,454,211) of the intercompany debt due to it from the company. This amount was treated as a capital contribution and was accordingly credited direct to reserves.

7 Creditors: amounts falling due after one year

	2009 £	2008 £
Amounts due to group undertaking	1,749	1,718
	<hr/>	<hr/>

PIHL PROPERTY ADMINISTRATION LIMITED

Notes forming part of the financial statements for the year ended 31 December 2009

(continued)

8 Share capital

	2009 £	2008 £
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

9 Reserves

	Revaluation Reserve £	Profit and loss account £
At 1 January 2009	(23,035,369)	(7,203,001)
Retained loss for the year	-	(5,792,045)
Unrealised surplus on revaluation of investment in PIHL Property LLP	14,718,683	-
Realisation of prior years' deficits on partnership investments	2,140,119	(2,140,119)
At 31 December 2009	<u>(6,176,567)</u>	<u>(15,135,165)</u>

10 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.

11 Post balance sheet events

In February 2010, the company contributed £5,200 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 2010, the company contributed £669,200 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.