

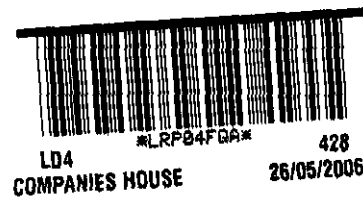
Prestbury Wentworth Limited

Report and Financial Statements

Year ended

31 May 2005

Company No 04875853



PRESTBURY WENTWORTH LIMITED

Annual report and financial statements for the year ended 31 May 2005

Contents

Page:

3	Report of the directors
5	Report of the independent auditors
6	Profit and loss account
7	Reconciliation of movements in shareholders' deficit
8	Balance sheet
9	<i>Notes forming part of the financial statements</i>

Directors

N M Leslau
S L Gumm
J C McMahon
B S Anderson

Secretary and registered office

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

Company number

04875853

Auditors

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

PRESTBURY WENTWORTH LIMITED

Report of the directors for the year ended 31 May 2005

The directors present their report together with the audited financial statements for the year ended 31 May 2005.

Results and dividends

The results of the company for the year are set out in the profit and loss account on page 6 and show a loss after tax for the year of £26,936,511 (nine months to 31 May 2004: loss of £4,707,212).

The directors do not recommend the payment of a dividend (2004: £nil).

Principal activities, review of business and future developments

The principal activity of the company is the provision of finance to and the holding of investments in fellow group companies within the property investment group headed by Prestbury Wentworth Holdings Limited. All the group's operations are within the United Kingdom.

On 21 June 2004, in order to consolidate their interests in two joint venture companies held by the investors, the shareholders of the company entered into a share exchange agreement with Prestbury Wentworth Holdings Limited, which is now the company's ultimate parent company.

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

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

Directors

The directors who held office during the year were:

N M Leslau
S L Gumm
J C McMahon
D Kerr (resigned 13 June 2005)

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

I S Mackintosh (appointed 13 June 2005; resigned 28 July 2005)
B S Anderson (appointed 28 July 2005)

All currently serving directors are also directors of the ultimate parent company, Prestbury Wentworth Holdings Limited, and their interests in the share capital of that company, if any, are shown in its financial statements.

PRESTBURY WENTWORTH LIMITED

Report of the directors for the year ended 31 May 2005 (Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year or period 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 or period. In preparing those financial statements, the directors are required to:

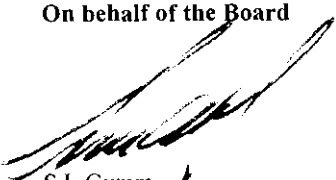
- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * 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 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

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

19 May 2006

PRESTBURY WENTWORTH LIMITED

Report of the independent auditors

To the shareholders of Prestbury Wentworth Limited

We have audited the financial statements of Prestbury Wentworth Limited for the year ended 31 May 2005 on pages 6 to 15 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 annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 with the company 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 United Kingdom Auditing Standards 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 of the state of the affairs of the company as at 31 May 2005 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO-STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

Epsom

19 May 2006

PRESTBURY WENTWORTH LIMITED

Profit and loss account for the year ended 31 May 2005

	Note	2005 £	Period from 22 August 2003 to 31 May 2004 £
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(516,554)	(109,153)
Operating loss		(516,554)	(109,153)
Amount provided against investment	6	(2,425,428)	-
Loss on ordinary activities before interest		(2,941,982)	(109,153)
Interest receivable		4,189,528	1,217,970
Interest payable and similar charges	4	(33,148,057)	(5,816,029)
Loss on ordinary activities before taxation	2	(31,900,511)	(4,707,212)
Taxation on loss on ordinary activities	5	4,964,000	-
Retained loss for the year / period	12	(26,936,511)	(4,707,212)

All amounts relate to continuing activities.

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

There were also no differences between the recognised gains and losses and reported loss on ordinary activities for either period.

The notes on pages 9 to 15 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED

Reconciliation of movements in shareholders' deficit for the year ended 31 May 2005

	2005	Period from 22
		August 2003 to
	£	31 May 2004
		£
Reconciliation of movements in shareholders' deficit		
Retained loss for the year / period	(26,936,511)	(4,707,212)
Ordinary shares issued	-	10,000
	<hr/>	<hr/>
Net increase in shareholders' deficit	(26,936,511)	(4,697,212)
Opening shareholders' deficit	(4,697,212)	-
	<hr/>	<hr/>
Closing shareholders' deficit	(31,633,723)	(4,697,212)
	<hr/>	<hr/>

The notes on pages 9 to 15 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED

Balance sheet at 31 May 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Investments in subsidiaries	6		433,135,124		435,599,967
Current assets					
Debtors due within one year	7	4,964,000		432,937	
Debtors due after more than one year	7	64,839,507		55,949,502	
Cash at bank and in hand		<u>1,486,009</u>		<u>7,186,378</u>	
		71,289,516		63,568,817	
Creditors: amounts falling due within one year	8	<u>(6,431,560)</u>		<u>(6,727,437)</u>	
Net current assets			64,857,956		56,841,380
Total assets less current liabilities			497,993,080		492,441,347
Creditors: amounts falling due after more than one year	9		(529,626,803)		(497,138,559)
Net liabilities			(31,633,723)		(4,697,212)
Capital and reserves					
Called up share capital	11		10,000		10,000
Profit and loss account	12		(31,643,723)		(4,707,212)
Equity shareholders' deficit			(31,633,723)		(4,697,212)

The financial statements were approved by the Board on 19 May 2006.


S L Gumm
Director

The notes on pages 9 to 15 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED

Notes forming part of the financial statements for the year ended 31 May 2005

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 s228 of the Companies Act 1985 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 Prestbury Wentworth Holdings Limited, within which this company is included, can be obtained from the address given in note 15.

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 group does not trade in derivative financial instruments. Hedging instruments are used to protect the group'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 and hedging costs

Costs relating to the raising of bank loan facilities, including the costs associated with the purchase of hedging instruments, are amortised over the life of the loan or hedging instrument as appropriate 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 and hedging costs.

2 Loss on ordinary activities before taxation

	2005	Period from 22 August 2003 to 31 May 2004
	£	£
This is arrived at after charging:		
Auditors' remuneration		
- audit services	27,500	24,000

The company incurs the audit expense for all group companies.

3 Employees and directors

The average number of employees of the company during the year, excluding directors, was nil (2004: nil).

No director received any emoluments from the company during the year (2004: nil).

PRESTBURY WENTWORTH LIMITED

Notes forming part of the financial statements for the year ended 31 May 2005

(Continued)

4 Interest payable and similar charges

	2005	Period from 22 August 2003 to 31 May 2004
	£	£
On bank loans	30,663,941	5,632,060
On loans from fellow group undertakings	1,417,920	-
Other finance costs	213,463	28,598
Amortisation of prepaid finance fees	852,733	155,371
	<u>33,148,057</u>	<u>5,816,029</u>

5 Taxation on loss from ordinary activities

	2005	Period from 22 August 2003 to 31 May 2004
	£	£
<i>Current tax</i>		
UK corporation tax	-	-
<i>Deferred tax</i>		
Origination of timing differences - non-trade financial losses to be utilised	4,964,000	-
Taxation credit on loss on ordinary activities	<u>4,964,000</u>	<u>-</u>

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

	2005	Period from 22 August 2003 to 31 May 2004
	£	£
Loss on ordinary activities before tax	<u>(31,900,511)</u>	<u>(4,707,212)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(9,570,153)	(1,412,164)
Effects of:		
Disallowed expenses	11,378	2,400
Group relief surrendered	383,803	-
Amount provided against investment in subsidiary - not deductible for tax purposes	727,628	-
Movement in management expenses available to carry forward	137,348	32,746
Movement in non-trade financial losses available to carry forward	3,345,996	1,377,018
Recognition of deferred tax asset in respect of non-trade financial losses to be utilised	<u>4,964,000</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

Analysis of unprovided deferred tax assets

	2005	2004
	Unprovided	Unprovided
	£	£
Trade losses and management expenses	170,094	32,746
Non-trade financial losses	4,723,015	1,344,602
	<u>4,893,109</u>	<u>1,377,348</u>

PRESTBURY WENTWORTH LIMITED

Notes forming part of the financial statements for the year ended 31 May 2005

(Continued)

6 Investments in subsidiary undertakings

**Subsidiary
undertakings
£**

Cost and net book value

At 1 June 2004

435,599,967

Amount provided against investment in subsidiary in the year

(2,425,428)

Release of over-accrual for acquisition costs

(39,415)

At 31 May 2005

433,135,124

Subsidiary undertakings

The following companies were the principal subsidiary undertakings at the end of the year:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
			Provider of finance to group companies
Prestbury Wentworth Finance Limited *	England	100%	companies
Prestbury Wentworth Three Limited	England	100%	Not active

* The above company owns 100% (save for one ordinary share held directly by the company) of the issued share capital of Prestbury Wentworth Acquisitions Limited, an intermediate holding company incorporated in England and Wales.

Prestbury Wentworth Acquisitions Limited owns 100% of the issued share capital of Prestbury Wentworth Intermediate Limited, another intermediate holding company incorporated in England and Wales.

Prestbury Wentworth Intermediate Limited owns 100% of the issued share capital of Prestbury Wentworth Portfolio Limited a property investment company incorporated in England and Wales.

For all the undertakings listed above, the country of operation is the same as its country of incorporation.

7 Debtors

2005

2004

£

£

Due within one year

Deferred tax asset (note 5)

4,964,000

-

VAT recoverable

-

48,187

Other debtors

-

384,750

4,964,000

432,937

Due after more than one year

Amounts receivable from group undertakings

6,205,284

838,000

Intercompany loan B

58,634,223

55,111,502

Total debtors

69,803,507

56,382,439

The intercompany loan B is unsecured, bears interest at a rate of 6.45% and has no fixed repayment date. The original loan was £54,466,630 with accrued interest to date of £4,167,593 (2004: £644,872).

The amounts owed by group undertakings are unsecured, bear interest at a rate of 8.02% and have no fixed repayment date. Accrued interest of £438,858 (2004: £nil) is included in the above figures.

PRESTBURY WENTWORTH LIMITED

Notes forming part of the financial statements for the year ended 31 May 2005

(Continued)

8 Creditors: Amounts falling due within one year	2005	2004
	£	£
Current portion of secured loans (note 9)	1,801,769	502,783
Trade creditors	4,524	-
VAT liability	1,368,719	-
Accruals and deferred income	3,256,548	6,224,654
	<u>6,431,560</u>	<u>6,727,437</u>
9 Creditors: Amounts falling due after more than one year	2005	2004
	£	£
Secured bank loans	474,420,710	475,000,000
Prepaid finance fees	(7,063,838)	(7,863,417)
	<u>467,356,872</u>	<u>467,136,583</u>
Less secured debt due within one year (note 8)	(1,801,769)	(502,783)
	<u>465,555,103</u>	<u>466,633,800</u>
Shareholders' loans (see below)	30,958,758	30,504,759
Amounts due to group undertakings	33,112,942	-
	<u>529,626,803</u>	<u>497,138,559</u>

The amounts owed to group companies are unsecured, bear interest at a rate of 8.02% and have no fixed repayment date. Accrued interest of £1,417,920 (2004: £nil) is included in the above figure.

The shareholders' loans are unsecured, non-interest bearing and are subordinated to the bank debt (see note 13).

	2005	2004
	£	£
<i>The secured financial liabilities are due:</i>		
Within one year	1,801,769	502,783
Between one and two years	2,499,338	1,780,248
In more than two years but not more than five years	13,833,711	11,358,521
In more than five years	456,285,892	461,358,448
	<u>474,420,710</u>	<u>475,000,000</u>

The bank loans are secured by charges over the investment properties held by another group company, over the shares in the subsidiary undertakings and by fixed and floating charges over the assets of all the group companies.

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 lender's margin) at approximately 6.46% (2004: 6.45%).

The bank loans are to be repaid in full by 24 March 2014.

10 Financial instruments

The following financial instruments were in place at 31 May 2005.

	Protected rate %	Expiry	2005 Market value gain / (loss) £	2004 Market value gain / (loss) £
£474,200,000 amortising swap (2004: £475m)	5.0575%	April 2024	(33,797,000)	12,010,000
Total (loss) / gain pre tax			(33,797,000)	12,010,000
Total (loss) / gain post tax			(23,657,900)	8,407,000

The market values of our hedging portfolio change with interest rate fluctuations, but the exposure of the group to movements in interest rates is protected by way of the hedging product 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 group of cancelling its interest rate protection at 31 May 2005, 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.

11 Share capital

	2005 Number	2005 £	2004 Number	2004 £
<i>Authorised, allotted, called up and fully paid</i>				
10,000 ordinary shares of £1	10,000	10,000	-	-
900 ordinary 'A' shares of £1	-	-	900	900
4,277 ordinary 'B' shares of £1	-	-	4,277	4,277
2,941 ordinary 'C' shares of £1	-	-	2,941	2,941
882 ordinary 'D' shares of £1	-	-	882	882
1,000 ordinary 'M' shares of £1	-	-	1,000	1,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

On 21 June 2004, a special resolution was passed and the authorised and issued A,B,C,D and M ordinary shares were reclassified as ordinary shares.

PRESTBURY WENTWORTH LIMITED

Notes forming part of the financial statements for the year ended 31 May 2005

(Continued)

12 Reserves

	Profit and loss account £
At 31 May 2004	(4,707,212)
Retained loss for the year	(26,936,511)
At 31 May 2005	<u>(31,643,723)</u>

13 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 Prestbury Wentworth Holdings Limited.

The aggregate loans due to shareholders are set out in note 9. These include the following amounts due to investors holding a 20% or more interest in the equity of the parent company:

	2005 £'000	2004 £'000
West Coast Capital	<u>9,209</u>	<u>9,074</u>
Uberior Ventures Limited	<u>10,125</u>	<u>9,979</u>
Prestbury Investment Holdings Limited	<u>3,096</u>	<u>3,050</u>

Uberior Ventures Limited, a shareholder in Prestbury Wentworth 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 group.

The following is a summary of the significant transactions undertaken by the company with HBOS during the year / period and balances with HBOS at 31 May 2005 and 31 May 2004.

	2005 £	2004 £
Profit and loss account		
Bank loan interest payable *	<u>19,716,565</u>	<u>5,632,060</u>
Financing costs amortised	<u>828,823</u>	<u>152,137</u>
Other finance costs	<u>213,463</u>	<u>28,598</u>
Bank interest receivable (net of bank charges)	<u>225,733</u>	<u>37,975</u>
Balance sheet		
Financing costs paid to HBOS capitalised (net of amortisation charge for the year / period)	<u>6,861,536</u>	<u>7,690,363</u>
Bank loan falling due within one year *	<u>567,777</u>	<u>502,783</u>
Bank loan falling due in greater than one year *	<u>157,949,675</u>	<u>474,497,217</u>

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

* Following the syndication of part of the company's drawn bank facilities during the year only part of the total bank indebtedness and interest charge for the year is due to HBOS.

14 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 cashflow statement is included in the financial statements of its ultimate parent company.

15 Controlling party information

On 21 June 2004, Prestbury Wentworth Holdings Limited became the owner of 100% of the issued ordinary share capital of Prestbury Wentworth Limited pursuant to a share exchange agreement with the existing shareholders. Prior to 21 June 2004, Prestbury Wentworth Limited was a joint venture company not controlled by any one entity or individual.

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 this company are available to the public and may be obtained from the company secretary, Cavendish House, 18 Cavendish Square, London, W1G 0PJ.