

Prestbury Wentworth Limited
(formerly Picnicnumber Limited)

Report and Financial Statements

Period ended

31 May 2004

Company No 04875853



PRESTBURY WENTWORTH LIMITED

(formerly Picnicnumber Limited)

Report and financial statements for the period ended 31 May 2004

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Directors

N M Leslau
S L Gumm
J C McMahon
D Kerr

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

(formerly Picnicnumber Limited)

Report of the directors for the period ended 31 May 2004

The directors present their report together with the audited financial statements for the period ended 31 May 2004.

Date of incorporation and change of name

The company was incorporated on 22 August 2003 as Picnicnumber Limited, then changed its name to Prestbury Wentworth Limited on 2 March 2004.

Results and dividends

The results of the group for the period are set out in the profit and loss account on page 6 and show a loss after tax for the period of £107,109.

The directors do not recommend the payment of a dividend.

The results relate to the period from the date of incorporation, 22 August 2003 to 31 May 2004.

Principal activities, review of business and future developments

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

On 16 March 2004, the company exchanged unconditional contracts to acquire the entire issued capital of Spirit Intermediate Acquisitions Limited (since renamed Prestbury Wentworth Intermediate Limited). The subsidiary of this company holds a portfolio of 220 public house investment properties. On 24 March 2004 the company directed its wholly owned subsidiary, Prestbury Wentworth Acquisitions Limited to complete the acquisition. The acquisition was financed by a £475 million secured bank loan facility with the balance provided by shareholders' loans.

The directors are satisfied with the performance of the group in the period.

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 entity.

Directors

The directors who held office during the period were:

N M Leslau	(appointed 16 March 2004)
S L Gumm	(appointed 17 February 2004)
J C McMahon	(appointed 16 March 2004)
D Kerr	(appointed 16 March 2004)
Instant Companies Limited	(appointed 22 August 2003; resigned 17 February 2004)

No director had any interest in the share capital of the company during the period, except for Instant Companies Limited that held the initial subscriber share from 22 August 2003 until 17 February 2004, then S L Gumm who held the subscriber share from 17 February 2004 until 16 March 2004.

PRESTBURY WENTWORTH LIMITED

(formerly Picnicnumber Limited)

Report of the directors for the period ended 31 May 2004

(Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

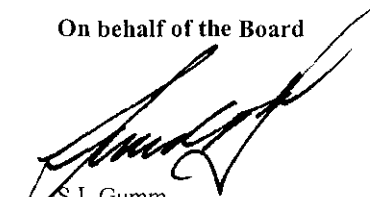
- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Auditors

BDO Stoy Hayward LLP, who were appointed as first auditors of the company during 2004, 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


May 2005

PRESTBURY WENTWORTH LIMITED

(formerly Picnicnumber 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 period ended 31 May 2004 on pages 6 to 23 which have been prepared under the accounting policies set out on pages 11 to 12.

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 group 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 and other members of the group 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 group'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 and the group as at 31 May 2004 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
Epsom


12 May 2005

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Consolidated profit and loss account for the period ended 31 May 2004**

	Notes	Period from 22 August 2003 to 31 May 2004 £
Turnover	2	5,745,510
Cost of sales - direct property costs		(9,424)
Gross profit		5,736,086
Administrative expenses		(109,153)
Operating profit	3	5,626,933
Interest receivable		37,975
Interest payable and similar charges	5	(5,816,029)
Loss on ordinary activities before taxation		(151,121)
Taxation on loss on ordinary activities	6	44,012
Retained loss for the period	15	(107,109)

All amounts relate to continuing activities, arising from property acquisitions in the period.

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

The notes on pages 11 to 23 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Consolidated statement of total recognised gains and losses and consolidated reconciliation of movements in shareholders' funds for the period ended 31 May 2004**

		Period from 22 August 2003 to 31 May 2004
Consolidated statement of total recognised gains and losses	Note	£
Retained loss for the period	15	(107,109)
Total recognised gains and losses for the period		(107,109)
Consolidated reconciliation of movements in shareholders' funds		
Retained loss for the period	15	(107,109)
Ordinary shares issued	14	10,000
Net decrease in shareholders' funds		(97,109)
At incorporation		-
Closing shareholders' funds		(97,109)

The notes on pages 11 to 23 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED
(formerly Picnicnumber Limited)
Consolidated balance sheet at 31 May 2004

	Note	31 May 2004 £	31 May 2004 £
Fixed assets			
Investment properties	8		510,527,551
Negative goodwill	9		(9,814,801)
			<u>500,712,750</u>
Current assets			
Debtors due within one year	10	1,723,969	
Debtors due after more than one year	10	2,464,843	
Cash at bank and in hand		<u>7,186,378</u>	
		11,375,190	
Creditors: amounts falling due within one year	11	<u>(15,046,490)</u>	
Net current liabilities			<u>(3,671,300)</u>
Total assets less current liabilities			<u>497,041,450</u>
Creditors: amounts falling due after more than one year	12		<u>(497,138,559)</u>
Net liabilities			<u>(97,109)</u>
Capital and reserves			
Called up share capital	14		10,000
Profit and loss account	15		(107,109)
Equity shareholders' deficit			<u>(97,109)</u>

The financial statements were approved by the Board on 11th May 2005.


S L Gumm
Director

The notes on pages 11 to 23 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Company balance sheet at 31 May 2004**

	Note	31 May 2004 £	31 May 2004 £
Fixed assets			
Investments in subsidiaries	8		435,599,967
Current assets			
Debtors due within one year	10	432,937	
Debtors due after more than one year	10	55,949,502	
Cash at bank and in hand		<u>7,186,378</u>	
		63,568,817	
Creditors: amounts falling due within one year	11	<u>(6,727,437)</u>	
Net current assets			<u>56,841,380</u>
Total assets less current liabilities			492,441,347
Creditors: amounts falling due after more than one year	12		<u>(497,138,559)</u>
Net liabilities			<u>(4,697,212)</u>
Capital and reserves			
Called up share capital	14		10,000
Profit and loss account	15		<u>(4,707,212)</u>
Equity shareholders' deficit			<u>(4,697,212)</u>

The financial statements were approved by the Board on 11th May 2005.


S.L. Gumm
Director

The notes on pages 11 to 23 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Consolidated cash flow statement for the period ended 31 May 2004**

	Note	Period from 22 August 2003 to 31 May 2004 £	Period from 22 August 2003 to 31 May 2004 £
Net cash outflow from operating activities	18		(432,938)
Returns on investments and servicing of finance			
Interest received		<u>37,975</u>	
Net cash inflow from returns on investment and servicing of finance			37,975
Capital expenditure and financial investment			
Purchase of subsidiary undertakings		(2,848,004)	
Cash acquired with subsidiaries		<u>4</u>	
Net cash outflow from capital expenditure and financial investment			<u>(2,848,000)</u>
Cash outflow before management of liquid resources and financing			(3,242,963)
Financing			
Issue of shares for cash		10,000	
Bank loans drawn down net of finance costs		466,981,212	
Repayment of loans acquired		(487,066,630)	
Shareholder loans received		<u>30,504,759</u>	
Cash inflow from financing			<u>10,429,341</u>
Increase in cash	20		<u><u>7,186,378</u></u>

The notes on pages 11 to 23 form part of the financial statements.

PRESTBURY WENTWORTH LIMITED

(formerly Picnicnumber Limited)

Notes forming part of the financial statements for the period ended 31 May 2004

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group'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.

Basis of consolidation

The consolidated financial statements incorporate the results of Prestbury Wentworth Limited and all of its subsidiary undertakings as at 31 May 2004, using the acquisition method of accounting, with the results of the subsidiary undertakings being included from the date of their acquisition.

Negative goodwill on consolidation

Negative goodwill arising on consolidation represents the difference between the purchase consideration and the fair value of the tangible net assets acquired on the acquisition of subsidiary undertakings. Negative goodwill has been capitalised and has been apportioned to each property within the property portfolio acquired. The negative goodwill is to be released to the profit and loss account as and when the relevant properties are sold.

Turnover

Turnover represents rents receivable during the period from investment properties, excluding value added tax.

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 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 leasehold investment properties. This treatment is a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, the group'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 or quantified.

PRESTBURY WENTWORTH LIMITED

(formerly Picnicnumber Limited)

Notes forming part of the financial statements for the period ended 31 May 2004

(Continued)

1 Accounting policies (Continued)

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 group has entered into a binding sale agreement and is unable to utilise existing capital losses; and
- * the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

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.

Cash

For the purposes of the cash flow statement, cash comprises cash in hand and deposits repayable on demand and liquid resources consist of cash deposits not repayable on demand without penalty.

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 group's financing costs. The bank loans are disclosed net of the unamortised loan issue and hedging costs.

2 Turnover

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

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Notes forming part of the financial statements for the period ended 31 May 2004***(Continued)*

	Period from 22 August 2003 to 31 May 2004
3 Operating profit	£

This is arrived at after charging:

Auditors' remuneration

- audit services (group and company)

24,000

In addition to audit fees, £35,000 was paid to the auditors for due diligence reports on the corporate acquisition in March 2004 which has been capitalised as a cost of acquisition. An additional £8,000 was paid for financial assistance work on the corporate acquisition in March 2004 which has been included in prepaid finance fees.

4 Employees and directors

The average number of employees of the group during the period, excluding directors, was nil.

No director received any emoluments from the group during the period.

	Period from 22 August 2003 to 31 May 2004
5 Interest payable and similar charges	£

On bank loans

5,632,060

Other finance costs

28,598

Amortisation of prepaid finance fees

155,371

5,816,029

PRESTBURY WENTWORTH LIMITED

(formerly Picnicnumber Limited)

Notes forming part of the financial statements for the period ended 31 May 2004

(Continued)

6 Taxation on loss from ordinary activities

**Period from 22
August 2003 to 31
May 2004**

Profit and loss account

£

Current tax

UK corporation tax on loss

-

Release of tax liability acquired on acquisition of subsidiary

(44,012)

Total current tax

(44,012)

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

**Period from 22
August 2003 to 31
May 2004**

£

Loss on ordinary activities before tax

(151,121)

Loss on ordinary activities at the standard rate
of corporation tax in the UK of 30%

(45,336)

Effects of:

Intragroup interest eliminated on consolidation deductible for tax purposes

(1,376,024)

Non-trade financial losses carried forward

1,344,602

Trade losses carried forward

32,746

Current tax credit for period

(44,012)

Factors that may affect future tax charges

During the period, the group acquired a company for a consideration of £2,464,843, including associated costs, which is disclosed in debtors as a deferred taxation asset (see below). This company has capital losses, as yet not agreed with the Inland Revenue, which the directors have been advised should be available for offset against capital gains, if any, to be realised on future disposals of the group's investment properties.

Movements in deferred taxation asset

Group

£

At incorporation

-

Acquisition of company (see above)

2,464,843

Charge to profit and loss account in period

-

At 31 May 2004 – included in debtors

2,464,843

Analysis of unprovided deferred tax assets/(liabilities)

	Group 2004	Company 2004
	Unprovided	Unprovided
	£	£
Trade losses	32,746	32,746
Non-trade loan relationship debits	1,344,602	1,344,602
On unrealised gains on revaluation of investment properties	(71,270,041)	-
	(69,892,693)	1,377,348

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)*

Notes forming part of the financial statements for the period ended 31 May 2004

*(Continued)***7 Loss for the financial period**

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the period includes a loss after tax of £4,707,212 which is dealt with in the financial statements of the parent company.

8 Fixed assets

Investment properties - group	Long leasehold land and buildings £	Freehold land and buildings £	Land and buildings total £
<i>Cost or valuation</i>			
Additions arising through acquisition of subsidiary in period, at fair value including associated costs	14,818,871	495,708,680	510,527,551
At 31 May 2004	<u>14,818,871</u>	<u>495,708,680</u>	<u>510,527,551</u>

At 31 May 2004 the group's investment properties were valued at £510,527,551 on an open market basis by Nick Leslau BSc MRICS, a Chartered Surveyor and director of the company. The historical cost of the properties to the group is £510,527,551.

The investment properties are held as security by a fixed charge in respect of bank borrowings provided to the company.

Investments in subsidiary undertakings - company

	Subsidiary undertakings £
<i>Cost and net book value:</i>	
Additions - shares in subsidiaries acquired inclusive of acquisition costs	435,599,967
At 31 May 2004	<u>435,599,967</u>

Subsidiary undertakings

The following were subsidiary undertakings at the end of the period and have all been included in the consolidated financial statements:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Prestbury Wentworth Acquisitions Limited	England	100%	Holding of investments in group companies
Prestbury Wentworth Finance Limited	England	100%	Provider of finance to group companies
Prestbury Wentworth Intermediate Limited *	England	100%	Intermediate holding company
Prestbury Wentworth Portfolio Limited **	England	100%	Property investment
Prestbury Wentworth Three Limited	England	100%	Dormant

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

* undertaking in which Prestbury Wentworth Acquisitions Limited holds the group's 100% interest.

** undertaking in which Prestbury Wentworth Intermediate Limited holds the group's 100% interest.

PRESTBURY WENTWORTH LIMITED

(formerly Picnicnumber Limited)

Notes forming part of the financial statements for the period ended 31 May 2004

(Continued)

9 Negative goodwill - Group

	£
Arising on acquisition of subsidiary (note 21)	(9,814,801)
At 31 May 2004	<u>(9,814,801)</u>

10 Debtors

	Group 31 May 2004 £	Company 31 May 2004 £
Due within one year		
Trade debtors	1,339,219	-
VAT recoverable	-	48,187
Other debtors	384,750	384,750
Total due within one year	<u>1,723,969</u>	<u>432,937</u>
Due after more than one year		
Deferred tax asset (note 6)	2,464,843	-
Amounts receivable from subsidiary undertakings	-	55,949,502
Total due after more than one year	<u>2,464,843</u>	<u>55,949,502</u>
Total debtors	<u>4,188,812</u>	<u>56,382,439</u>

11 Creditors: Amounts falling due within one year

	Group 31 May 2004 £	Company 31 May 2004 £
Current portion of secured loans (note 12)	502,783	502,783
VAT liability	1,291,031	-
Accruals and deferred income	13,252,676	6,224,654
	<u>15,046,490</u>	<u>6,727,437</u>

12 Creditors: Amounts falling due after more than one year

	Group 31 May 2004 £	Company 31 May 2004 £
Secured bank loans	475,000,000	475,000,000
Prepaid finance fees	(7,863,417)	(7,863,417)
	<u>467,136,583</u>	<u>467,136,583</u>
Less secured debt due within one year (note 11)	<u>(502,783)</u>	<u>(502,783)</u>
	466,633,800	466,633,800
Shareholders' loans (see below)	30,504,759	30,504,759
	<u>497,138,559</u>	<u>497,138,559</u>

The shareholders' loans are unsecured, non-interest bearing and are subordinated to the bank debt.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)*

Notes forming part of the financial statements for the period ended 31 May 2004

*(Continued)***12 Creditors: Amounts falling due after more than one year (Continued)**

	31 May 2004
	£
<i>The secured financial liabilities are due:</i>	
Within one year	502,783
Between one and two years	1,780,248
In more than two years but not more than five years	17,838,648
In more than five years	454,878,321
	<u>475,000,000</u>

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

The group'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.

The bank loans bear interest at 3 month LIBOR plus a lenders' margin of 1.39%. Interest has been fixed by way of purchases of interest rate hedging products (swaps) which fix the interest rate payable (inclusive of the lender's margin) at approximately 6.45%.

13 Financial instruments

			31 May 2004
			Market
			value
			gain/(loss)
			pre-tax
			£
The following financial instruments were in place at 31 May 2004:			
	Protected	Expiry	
	Rate		
	%		
£475 million amortising swap	5.0575%	April 2024	12,010,000
Total gain pre tax			<u>12,010,000</u>
Total gain post tax			<u>8,407,000</u>

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 2004, which is generally a marginally higher cost (or smaller gain) than a market valuation.

The group 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.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)*

Notes forming part of the financial statements for the period ended 31 May 2004

*(Continued)***14 Share capital**

	31 May 2004	31 May 2004
<i>Authorised</i>	Number	£
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>
	31 May 2004	31 May 2004
<i>Allotted, called up and fully paid</i>	Number	£
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>

All ordinary shares rank *pari passu* in relation to income and capital.

The company was incorporated on 22 August 2003 with an authorised share capital of 1,000 ordinary shares of £1 each. One ordinary share was issued for cash on 22 August 2003.

On 16 March 2004 a written resolution was passed and the issued share capital of the company of £1 together with 899 unissued shares were redesignated as A ordinary shares and 100 unissued shares were redesignated as B ordinary shares.

On 16 March 2004 the authorised capital of the company was further increased from £1,000 to £10,000 by the creation of 4,177 B Ordinary shares of £1 each, 2,941 C Ordinary shares of £1 each, 882 D Ordinary shares of £1 each and 1,000 M Ordinary shares of £1 each. All of the authorised but unissued A, B, C, D and M Ordinary shares were then issued for cash. After the balance sheet date on 21 June 2004, a special resolution was passed and the authorised A, B, C, D and M ordinary shares were reclassified as ordinary shares.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)*

Notes forming part of the financial statements for the period ended 31 May 2004

*(Continued)***15 Reserves**

	Profit and loss account £
Group	
At incorporation	-
Retained loss for the period	(107,109)
At 31 May 2004	<u>(107,109)</u>
	Profit and loss account £
Company	
At incorporation	-
Retained loss for the period	(4,707,212)
At 31 May 2004	<u>(4,707,212)</u>

16 Related party transactions

The aggregate loans due to shareholders are set out in note 12. The shareholder loans are unsecured, subordinated to the secured debt and non-interest bearing.

Uberior Ventures Limited, a shareholder in Prestbury Wentworth Limited at the balance sheet date, is a wholly owned group undertaking of HBOS plc (HBOS). The HBOS group provides banking facilities to the group.

The following is a summary of the significant transactions undertaken by the group with HBOS during the period and balances with HBOS as at 31 May 2004:

Profit and loss account	£
Bank loan interest payable	<u>5,632,060</u>
Financing costs amortised	<u>152,137</u>
Other finance costs	<u>28,598</u>
Bank interest receivable	<u>37,975</u>
Balance sheet	
Financing costs paid to HBOS capitalised (net of amortisation charge for the period)	<u>7,690,363</u>
Bank loan falling due within one year	<u>502,783</u>
Bank loan falling due in greater than one year	<u>474,497,217</u>

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

17 Parent company and controlling party information

During the period, Prestbury Wentworth Limited was not controlled by any one entity.

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. Prestbury Wentworth Holdings Limited, which is incorporated in England and Wales, is not controlled by any one entity.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)*

Notes forming part of the financial statements for the period ended 31 May 2004

*(Continued)***18 Reconciliation of operating profit to net cash inflow from operating activities**

31 May 2004

£

Operating profit	5,626,933
Increase in debtors	(1,723,969)
Decrease in creditors	(4,335,902)

Net cash outflow from operating activities	<u>(432,938)</u>
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19 Reconciliation of net cash inflow to movement in net debt

31 May 2004

£

Increase in cash in the period	7,186,378
Cash inflow from movements in debt financing	<u>(10,419,341)</u>

Change in net debt resulting from cash flows	(3,232,963)
Non cash movements - prepaid finance fees	(155,371)
Loans acquired with subsidiaries (repaid in period)	<u>(487,066,630)</u>

Movement in net debt in the period	(490,454,964)
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Net debt at incorporation	-
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Net debt at end of period (note 20)	<u>(490,454,964)</u>
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20 Analysis of net debt

	Cash flow £	Other non-cash changes £	At 31 May 2004 £
Cash	<u>7,186,378</u>		<u>7,186,378</u>
Debt due within one year	(502,783)	-	(502,783)
Debt due after one year	(505,001,976)	-	(505,001,976)
Prepaid finance fees	<u>8,018,788</u>	<u>(155,371)</u>	<u>7,863,417</u>
Financing	<u>(497,485,971)</u>	<u>(155,371)</u>	<u>(497,641,342)</u>
Total	<u>(490,299,593)</u>	<u>(155,371)</u>	<u>(490,454,964)</u>

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Notes forming part of the financial statements for the period ended 31 May 2004***(Continued)***21 Acquisitions****Acquisition of Prestbury Wentworth Intermediate Limited (formerly Spirit Intermediate Acquisitions Limited)**

On 25 March 2004 the group acquired the above company (including its subsidiary company, Spirit Sunningdale Limited, which has been renamed Prestbury Wentworth Portfolio Limited) for a total cash consideration payable of £100 as set out below. In calculating the negative goodwill arising on acquisition, which is reflective of the inherent capital gains tax liabilities within the company owning the investment portfolio acquired, the fair value of the net assets acquired have been assessed and no adjustments from book value have been considered necessary. The acquisition is summarised in the following table:

Balance sheet	Book Value £
Fixed assets	
Properties	510,527,551
Current assets	
Cash	<u>2</u>
Total assets	510,527,553
Deferred income	(7,889,358)
Other creditors - intragroup debt	(487,066,630)
Corporation tax	<u>(44,012)</u>
Net assets	<u>15,527,553</u>
Cash consideration	100
Expenses of acquisition	5,712,652
	<u>5,712,752</u>
Negative goodwill arising on acquisition (note 9)	<u>9,814,801</u>

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Notes forming part of the financial statements for the period ended 31 May 2004***(Continued)***21 Acquisitions (Continued)**

The combined results of Prestbury Wentworth Intermediate Limited and its subsidiary in the period prior to their acquisition were as follows:

	Period from 22 October 2003 to 24 March 2004
	£
Profit and loss account	
Turnover	5,000,904
Operating profit	5,000,904
Net interest and other non operating items	(4,854,197)
Profit on ordinary activities before taxation	146,707
Taxation on profit of ordinary activities	(44,012)
Retained profit	102,695

Cash flows

The net outflow of cash arising from the acquisitions was as follows:

	£
Settlement of intragroup indebtedness	(487,066,630)
Cash acquired	2
Acquisition costs paid in period	(837,902)
Net outflow of cash in respect of acquisition	(487,904,530)

Acquisition costs of £4,874,750 are accrued as at 31 May 2004.

PRESTBURY WENTWORTH LIMITED*(formerly Picnicnumber Limited)***Notes forming part of the financial statements for the period ended 31 May 2004***(Continued)***21 Acquisitions (Continued)****Acquisition of Prestbury Wentworth Three Limited
(formerly Baltimore Technologies Investments Limited)**

On 26 May 2004 the group acquired the above company for a total consideration payable of £2,464,843 (including acquisition costs) as set out below. The net assets acquired are summarised in the following table:

Balance sheet	Fair and book value £
Current assets - cash	2
Net assets	<u>2</u>
Cash consideration (including acquisition costs of £454,843)	2,464,845
Net assets acquired	<u>(2)</u>
Deferred tax asset arising on consolidation (note 6)	<u>2,464,843</u>

Cash flow

The net outflow of cash arising from the acquisition was as follows:

Cash consideration	2,010,002
Cash acquired	<u>(2)</u>
Net outflow of cash in respect of acquisition	<u>2,010,000</u>

Acquisition costs of £454,843 are accrued as at 31 May 2004.