

Registered number 5504008

PW NO2 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

MONDAY



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COMPANIES HOUSE

PW NO2 LIMITED

COMPANY INFORMATION

DIRECTORS	T J Evans S L Gumm
COMPANY SECRETARY	S L Gumm
REGISTERED NUMBER	5504008
REGISTERED OFFICE	Cavendish House 18 Cavendish Square London W1G 0PJ
INDEPENDENT AUDITORS	BDO LLP 2nd Floor 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

PW NO2 LIMITED

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PW NO2 LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2012**

The directors present their report and the financial statements for the year ended 31 May 2012

PRINCIPAL ACTIVITIES

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

DIRECTORS

The directors who served during the year were

T J Evans
S L Gumm

PRINCIPAL RISKS AND UNCERTAINTIES

Market factors

The directors consider the properties owned by the company relatively well placed to withstand market fluctuations over time by virtue of the quality of the assets and, in particular, the longevity of income

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that


- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

AUDITORS

BDO LLP have expressed their willingness to continue in office

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

This report was approved by the board on 13 May 2013 and signed on its behalf


S L Gumm
Director

PW NO2 LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2012**

The directors are responsible for preparing the directors' 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 judgments and accounting estimates that are reasonable and prudent,
- 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.

PW NO2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PW NO2 LIMITED

We have audited the financial statements of PW No2 Limited for the year ended 31 May 2012, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. 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 auditors' 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 directors' responsibilities statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

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 May 2012 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.


PW NO2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PW NO2 LIMITED

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 take advantage of the small companies' exemption in preparing the directors' report and financial statements



Russell Field (senior statutory auditor)

for and on behalf of
BDO LLP

Statutory auditor

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

2nd Floor
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

13 May 2013

PW NO2 LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	4,373,031	4,281,910
Cost of sales		<u>(6,132)</u>	<u>(5,664)</u>
GROSS PROFIT		4,366,899	4,276,246
Other operating income		<u>1,212</u>	<u>1,336</u>
OPERATING PROFIT		4,368,111	4,277,582
Interest receivable and similar income	5	2,453,557	2,097,770
Write down of amounts owed by group undertakings		(6,825,879)	(35,060,959)
Interest payable and similar charges	6	(5,145,181)	(5,131,123)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,149,392)	(33,816,730)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(5,149,392)</u>	<u>(33,816,730)</u>

All amounts relate to continuing operations

The notes on pages 8 to 13 form part of these financial statements

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

PW NO2 LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MAY 2012**

	Note	2012 £	2011 £
LOSS FOR THE FINANCIAL YEAR	13	(5,149,392)	(33,816,730)
Unrealised deficit on revaluation of investment properties	13	(6,323,000)	(4,022,000)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		(11,472,392)	(37,838,730)

The notes on pages 8 to 13 form part of these financial statements

PW NO2 LIMITED
REGISTERED NUMBER. 5504008

BALANCE SHEET
AS AT 31 MAY 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Investment property	8		42,207,000		48,530,000
CURRENT ASSETS					
Debtors	9	402		3,098	
CREDITORS: amounts falling due within one year	10	(277,550)		(276,035)	
NET CURRENT LIABILITIES			(277,148)		(272,937)
TOTAL ASSETS LESS CURRENT LIABILITIES			41,929,852		48,257,063
CREDITORS: amounts falling due after more than one year	11		(114,682,917)		(109,537,736)
NET LIABILITIES			(72,753,065)		(61,280,673)
CAPITAL AND RESERVES					
Called up share capital	12		1		1
Revaluation reserve	13		(33,135,658)		(26,812,658)
Profit and loss account	13		(39,617,408)		(34,468,016)
SHAREHOLDERS' DEFICIT	14		(72,753,065)		(61,280,673)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 May 2013


S L Gumm
Director

The notes on pages 8 to 13 form part of these financial statements

PW NO2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2012

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards

These financial statements have been prepared on a going concern basis, which assumes that the company will continue to meet its liabilities when they fall due, for the foreseeable future. The directors have prepared cash flow forecasts which indicate, subject to the matters noted below, that the company can continue as a going concern.

The company is a member of the group headed by Prestbury Wentworth Holdings Limited ("the group"). As at 31 May 2012, the balance of the group's bank loans drawn down under its credit facilities ("the facilities") was £495,442,646. The facilities, which are secured on the assets of the group, including all of the company's investment properties, are due to expire in October 2013. In order to continue as a going concern for the foreseeable future, the company requires either the term to expiry of the facilities to be extended, or for certain asset disposal milestones to be achieved by the group by October 2013, enabling at least a partial repayment of the loans, together with arrangements being entered into with one or more of the company's lenders to refinance any remaining balance due under the facilities, should this become necessary.

The directors of the group have commenced an asset disposal programme and an initial portfolio of 24 of the group's 211 investment properties are already being actively marketed by the group's engaged property agents. The directors of the group are also currently in constructive discussions with the company's main lender regarding various financing options, including but not limited to the extension of the terms of some of the facilities.

Having given due consideration to the current status of the asset disposal programme, the directors have a reasonable expectation that the requisite asset disposal milestones are capable of being achieved by October 2013.

While the directors have a reasonable expectation that suitable refinancing arrangements can be satisfactorily concluded by October 2013, should the need arise, there are, as yet, no binding agreements in place in this regard. The directors continue to monitor closely with the lenders the progress and results of the asset disposal programme. Accordingly, the directors have concluded that it is still appropriate to prepare the financial statements on a going concern basis.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

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

PW NO2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012**

1. ACCOUNTING POLICIES (continued)

1.4 Investment properties

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

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

In accordance with SSAP 19 (as amended), no depreciation or amortisation is provided in respect of freehold investment properties. This treatment is a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets. However, the company's investment properties are held not for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

1.5 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- Deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is unable to utilise existing capital losses within the group of which it is a member, and
- The recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

2. TURNOVER

Turnover is wholly attributable to the principal activities undertaken by the company during the year.

All turnover arose within the United Kingdom.

3. AUDITORS' REMUNERATION

The auditors' remuneration is borne by a fellow group company. Fees for the audit of the company were £1,750 (2011: £1,750).

4. STAFF COSTS

The company has no employees and no director received any remuneration during the year (2011: £nil).

PW NO2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

5. INTEREST RECEIVABLE

	2012 £	2011 £
Interest receivable from group companies	<u>2,453,557</u>	<u>2,097,770</u>

6. INTEREST PAYABLE

	2012 £	2011 £
On loans from group undertakings	<u>5,145,181</u>	<u>5,131,123</u>

7. TAXATION

	2012 £	2011 £
UK corporation tax charge on loss for the year	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 26% (2011 - 28%) The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	<u>(5,149,392)</u>	<u>(33,816,730)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 - 28%)	<u>(1,338,842)</u>	<u>(9,468,684)</u>
Effects of:		
Write down of loan to group undertaking non-deductible	1,774,728	9,817,068
Movement in tax losses carried forward	175,983	59,027
Group relief claimed	(611,869)	(407,411)
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

PW NO2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012**

UNPROVIDED DEFERRED TAX LIABILITY/(ASSET)

The company has an unprovided deferred tax liability/(asset) which is made up as follows

	2012 £	2011 £
On the inherent capital gain arising on the carrying value of investment properties	<u>1,600,326</u>	<u>2,270,502</u>
Losses available to carry forward	<u>(396,477)</u>	<u>(253,534)</u>

The unprovided deferred tax balances have been measured at the tax rates substantively enacted at the balance sheet date

8. INVESTMENT PROPERTY

	Freehold investment property £
Valuation	
At 1 June 2011	48,530,000
Deficit on revaluation	<u>(6,323,000)</u>
At 31 May 2012	<u>42,207,000</u>

The company's investment properties were valued as at 31 May 2012 by N M Leslau BSc (Hons) FRICS, a chartered surveyor and director of the company, on an arm's length open market value basis

The historical cost of the properties is £75,342,658 (2011 £75,342,658)

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

9. DEBTORS

	2012 £	2011 £
Due within one year		
Prepayments and accrued income	<u>402</u>	<u>3,098</u>

PW NO2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012**

9 DEBTORS (continued)

	2012 £	2011 £
Due after more than one year		
Amounts owed by group undertakings	<u>-</u>	<u>-</u>

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 £9,795,176 (2011: £7,341,618) is included in the balance at 31 May 2012. At 31 May 2012 this balance is shown net of provisions amounting in total to £41,886,838 (2011: £35,060,960). The provisions have been charged to the company's profit and loss account and reflect the net liabilities of the group undertaking as at the balance sheet date.

**10. CREDITORS:
Amounts falling due within one year**

	2012 £	2011 £
Accruals and deferred income	<u>277,550</u>	<u>276,035</u>

**11. CREDITORS:
Amounts falling due after more than one year**

	2012 £	2011 £
Amounts owed to group undertakings	<u>114,682,917</u>	<u>109,537,736</u>

The amounts owed to group undertakings are unsecured, bear interest at a rate of 6.45% and have no fixed repayment date. Accrued interest of £35,130,621 (2011: £29,985,440) is included in the balance at 31 May 2012.

12. SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

PW NO2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012**

13. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 June 2011	(26,812,658)	(34,468,016)
Loss for the year	-	(5,149,392)
Deficit on revaluation of freehold property	(6,323,000)	-
	<u>(33,135,658)</u>	<u>(39,617,408)</u>
At 31 May 2012	<u>(33,135,658)</u>	<u>(39,617,408)</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2012 £	2011 £
Opening shareholders' deficit	(61,280,673)	(23,441,943)
Loss for the year	(5,149,392)	(33,816,730)
Unrealised deficit on revaluation of investment properties	(6,323,000)	(4,022,000)
	<u>(72,753,065)</u>	<u>(61,280,673)</u>
Closing shareholders' deficit	<u>(72,753,065)</u>	<u>(61,280,673)</u>

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Prestbury Wentworth Holdings Limited

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

17. CONTINGENT LIABILITIES

The company, along with the other subsidiaries of the ultimate parent company, has entered into an agreement with the bankers of a fellow subsidiary company to cross-guarantee the bank loans made to that company. At 31 May 2012 these bank loans amounted to £495,442,646 (2011 £498,487,846).