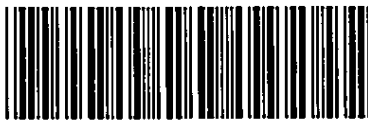


CITY ACRE PROPERTY INVESTMENT TRUST LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

Company No. 430683

WILKINS KENNEDY
Chartered Accountants
Bridge House
London Bridge
London
SE1 9QR



CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**DIRECTORS' REPORT****FOR THE YEAR ENDED 31 MARCH 2009****DIRECTORS**

C H Harrison
A M Homan
H M Saunders

FINANCIAL STATEMENTS

The directors present their report and financial statements of the company for the year ended 31 March 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, as required by the Financial Reporting Standard for Smaller Entities, 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 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.

REVIEW OF THE BUSINESS

The principal activities of the company during the year were investment in property, fine art and other investments. The directors consider that there will be no change in the principal activities of the company during the coming year. The principal activities of the subsidiary undertakings are set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation was £1,389,621 (2008: profit of £38,565).

Dividends were declared and paid as follows:-

Date declared	Date paid	£
8 October 2008	8 October 2008	230,000
25 March 2009	17 April 2009	184,000

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2009

FIXED ASSETS

The movements in fixed assets are set out in notes 7 and 8 to the financial statements.

POST BALANCE SHEET EVENTS AND FUTURE DEVELOPMENTS

There have been no significant events affecting the company since the year end which should be brought to the attention of the shareholders.

It is the intention of the directors that the company will continue its present activities.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

C H Harrison
A M Homan
H M Saunders

Mr C H Harrison and Mr A M Homan are directors of a company which is the sole trustee of a settlement which is considered to be the company's ultimate parent undertaking. The directors had no other interest in the shares of the company during the year.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No charitable or political donations were made in either the current or prior year.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

In accordance with Section 485 of the Companies Act 2006, a resolution proposing that Wilkins Kennedy be re-appointed as auditors of the company will be put to the Annual General Meeting.

The directors report has been prepared taking advantage of the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 14 September 2009 and signed on its behalf by:



H M Saunders
Director

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**INDEPENDENT AUDITORS' REPORT****TO THE SHAREHOLDERS OF****CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007) and under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements. In addition we report to you 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

Bridge House
London Bridge
LONDON SE1 9QR

14 September 2009

William Kennedy
Chartered Accountants
and Registered Auditors

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2009**

	<u>Notes</u>	<u>2009</u> £	<u>2008</u> £
INCOME	2	243,275	202,416
Administrative and other expenses		(302,877)	(306,082)
Operating loss before exceptional items		(59,602)	(103,666)
Management charges receivable		105,000	105,000
Provision against investments	8	(1,400,092)	(6,860)
Release of provision against loans due from subsidiary undertaking		6,564	20,542
(LOSS)/PROFIT ON ORDINARY ACTIVITIES		(1,348,130)	15,016
(Loss)/profit on sale of investments and works of art		(46,357)	10,332
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	3	(1,394,487)	25,348
Interest receivable	5	4,866	2,228
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,389,621)	27,576
Taxation	6	-	10,989
(LOSS)/PROFIT FOR THE YEAR		£(1,389,621)	£38,565

	<u>2009</u> £	<u>2008</u> £
STATEMENT OF RETAINED PROFIT		
Retained profit brought forward	6,611,708	7,015,732
(Loss)/profit for the year	(1,389,621)	38,565
Interim dividends payable on ordinary shares	(414,000)	(460,000)
Realised valuation reserve	(15,093)	17,411
RETAINED PROFIT CARRIED FORWARD	£4,792,994	£6,611,708

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
AND NOTE OF HISTORICAL COST LOSSES
FOR THE YEAR ENDED 31 MARCH 2009

	<u>2009</u> £	<u>2008</u> £
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
(Loss)/profit for the year before dividends	(1,389,621)	38,565
Unrealised loss on revaluation of investment	(936,611)	(920,399)
Total recognised losses for the year	<u>£(2,326,232)</u>	<u>£(881,834)</u>
 NOTE OF HISTORICAL COST PROFIT/(LOSS)		
Reported (loss)/profit on ordinary activities before taxation	(1,389,621)	27,576
Realisation of revaluation gains of previous years	(15,093)	17,411
Historical cost (loss)/profit on ordinary activities before taxation	<u>£(1,404,714)</u>	<u>£44,987</u>
 Historical cost loss for the year retained after taxation and dividends	<u>£(1,818,714)</u>	<u>£(404,024)</u>

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**BALANCE SHEET****AS AT 31 MARCH 2009**

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		£	£
FIXED ASSETS			
Investment in subsidiary undertakings	7	19,470,637	19,470,637
Investments	8	6,586,041	9,316,412
		<u>26,056,678</u>	<u>28,787,049</u>
CURRENT ASSETS			
Works of art	9	1	1
Debtors	10	6,862,074	7,778,763
Cash at bank		255,597	4,701
		<u>7,117,672</u>	<u>7,783,465</u>
CREDITORS: Amounts falling due within one year	11	<u>(20,381,356)</u>	<u>(21,022,195)</u>
NET CURRENT LIABILITIES		<u>(13,263,684)</u>	<u>(13,238,730)</u>
NET ASSETS		<u>£12,792,994</u>	<u>£15,548,319</u>
CAPITAL AND RESERVES			
Called up share capital	13	2,000,000	2,000,000
Capital redemption reserve	14	6,000,000	6,000,000
Revaluation reserve	15	-	936,611
Profit and loss account		4,792,994	6,611,708
SHAREHOLDERS' FUNDS		<u>£12,792,994</u>	<u>£15,548,319</u>

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements on pages 4 to 12 were approved by the Board on 14 September 2009 and signed on its behalf by:



H M Saunders
Director

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2009****1. ACCOUNTING POLICIES****(a) Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards as required by the Financial Reporting Standard for Smaller Entities. The company is exempt from the requirement of FRS1 to include a cashflow statement as part of its financial statements because it meets the criteria of a small company.

(b) Investment in subsidiary undertakings

These are stated at cost less provision for permanent diminution in value.

(c) Investments

These are listed investments included at market value.

(d) Works of Art

These are held for resale and are stated at cost less any provision for permanent diminution in value. There is no depreciation charge on works of art.

(e) Turnover

Turnover represents gross rental income and dividends receivable.

(f) Group accounts

The company has not prepared group accounts as it is exempt from the requirement to do so under Section 228 of the Companies Act 1985 because it is a subsidiary undertaking of Rugarth Investment Trust Limited, a company registered in England and Wales. These financial statements are included in the group accounts of that company. City Acre Property Investment Trust Limited's accounts therefore present information about it as an individual company and not about its group.

(g) Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that in the opinion of the directors there is a reasonable probability that a liability or asset will crystallise in the near future.

(h) Pension costs

Pension costs are charged to the profit and loss account as they are incurred. All pension payments are to individual money purchase pension schemes.

(i) Operating leases

Costs incurred under operating leases are written off to profit and loss account as incurred.

2. INCOME

	<u>2009</u> £	<u>2008</u> £
Income arises in the following sectors and wholly in the United Kingdom.		
Rental income	1,029	1,021
Investment income	242,246	201,395
	<u>£243,275</u>	<u>£202,416</u>

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2009**

3. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	<u>2009</u>	<u>2008</u>
	£	£
The profit on ordinary activities is stated after charging/(crediting):		
Auditors' remuneration	19,000	17,500
Rent of premises	20,000	20,000
Management charges	(105,000)	(105,000)
	<u> </u>	<u> </u>

The company has borne the audit fees of all group companies in the years ended 31 March 2009 and 2008.

The company raised a management charge to a subsidiary undertaking, British and Overseas Property Development Limited, in respect of management time and costs incurred in respect of land management and disposal activities undertaken by that company.

4. DIRECTORS' REMUNERATION

The emoluments of directors' for executive services were £97,865 (2008: £102,379).

The company contributes to money purchase pension schemes on behalf of employees. The cost to the company represents contributions made during the year and amounted to £8,013 (2008: £7,616). No pension contributions are paid in respect of directors. In addition the company incurs ex-gratia pension payments to former employees of the company and its fellow subsidiary undertakings. The amount paid during the year was £12,310 (2008: £24,310).

5. INTEREST RECEIVABLE	<u>2009</u>	<u>2008</u>
	£	£
Bank interest receivable	593	1,815
Other interest receivable	4,273	413
	<u>£4,866</u>	<u>£2,228</u>

6. TAXATION

A tax credit of £Nil (2008: £10,989) arises as a result of a repayment of income tax deducted at source in prior years.

There was no charge to corporation tax on the results for the years ended 31 March 2009 and 31 March 2008 due to the availability of tax losses brought forward.

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2009**

7. INVESTMENT IN SUBSIDIARY UNDERTAKINGS	£
COST	
1 April 2008 and 31 March 2009	33,114,174
PROVISIONS	
1 April 2008 and 31 March 2009	(13,643,537)
NET BOOK VALUE	
1 April 2008 and 31 March 2009	<u>£19,470,637</u>

The company's subsidiary undertakings, all wholly owned, and their principal activities at the year end are set out below:

Name	Principal activity
Acre Properties Limited	Property Investment
British and Overseas Property Developments Limited	Farming and property investment and development
Corb 81 Limited	Investment
Number 1 Poultry Limited	Dormant
The National Safe Deposit and Trustee Company (UK) Limited	Dormant
29/30 Old Burlington Street Limited	Dormant

All the above subsidiary undertakings are registered in England and Wales, and they all operate in the United Kingdom. In addition British and Overseas Property Developments Limited also operates in the United States of America.

In the opinion of the directors the aggregate value of the assets of the company consisting of shares in the company's subsidiary undertakings is not less than the aggregate of the amounts at which those assets are included in the balance sheet.

8. INVESTMENTS	<u>2009</u>
	£
COST	
1 April 2008	8,419,175
Additions	390,495
Disposals	(784,163)
31 March 2009	<u>8,025,507</u>
VALUATION SURPLUS	
1 April 2008	936,611
Valuation deficit arising in year	(951,704)
Realised on disposal	15,093
31 March 2009	<u>-</u>
PROVISION FOR DIMINUTION IN VALUE	
1 April 2008	(39,374)
Provided during year	(1,400,092)
31 March 2009	<u>(1,439,466)</u>
NET BOOK VALUE	
31 March 2009	<u>£6,586,041</u>
31 March 2008	<u>£9,316,412</u>

Investments represent listed investments at market value.

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

9. WORKS OF ART

Works of art costing £1,245,916 (2008: £1,245,916) are stated after a provision of £1,245,915 (2008: £1,245,915).

10. DEBTORS

	<u>2009</u>	<u>2008</u>
	£	£
Amount owed by parent undertaking	265,856	-
Amounts owed by subsidiary undertakings	6,517,328	7,723,172
Other debtors	60,231	36,343
Prepayments and accrued income	18,659	19,248
	<u>£6,862,074</u>	<u>£7,778,763</u>

Other debtors of £35,000 (2008: £35,000) are considered to be recoverable after more than one year.

11. CREDITORS: Amounts falling due within one year

	<u>2009</u>	<u>2008</u>
	£	£
Amounts owed to parent undertaking	-	595,663
Amounts owed to fellow subsidiary undertakings	20,170,757	20,170,757
Accruals and deferred income	26,599	25,775
Dividend payable	184,000	230,000
	<u>£20,381,356</u>	<u>£21,022,195</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

The company expects there to be revenue tax losses to carry forward of approximately £25m (2008: £25m) and capital losses to carry forward of approximately £1.2m (2008: £1.2m). A deferred tax asset has not been provided in respect of these losses due to the uncertainty of the losses being utilised in the foreseeable future.

13. SHARE CAPITAL

	<u>2009</u>	<u>2008</u>
	£	£
Authorised		
25,818,651 Ordinary shares of £1 each	25,818,651	25,818,651
7,000,000 Zero per-cent Non Cumulative Redeemable Preference shares of £1 each	7,000,000	7,000,000
	<u>£32,818,651</u>	<u>£32,818,651</u>
Allotted and fully paid		
2,000,000 Ordinary shares of £1 each	<u>£2,000,000</u>	<u>£2,000,000</u>

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2009****14. CAPITAL REDEMPTION RESERVE**

Following the redemption of 1,500,000 zero per cent Non Cumulative Redeemable Preference Shares of £1 each on 10 April 2002, £1.5 million was transferred from profit and loss account to this reserve. Following the further redemption of 4,500,000 zero per cent Non Cumulative Redeemable Preference Shares of £1 each on 10 October 2003, a further £4.5 million was transferred from profit and loss account to this reserve.

15. REVALUATION RESERVE

	<u>2009</u> £	<u>2008</u> £
1 April 2008	936,611	1,874,421
Release to profit and loss account on realisation	15,093	(17,411)
On valuation of investments	(951,704)	(920,399)
31 March 2009	<u>£ -</u>	<u>£936,611</u>

16. CONTINGENT LIABILITY

The company and certain of its subsidiary undertakings form a Value Added Tax group. Each company in the group is jointly and severally liable with the other companies for the group's aggregate VAT liability. At 31 March 2009 the group's VAT liability was £Nil (2008: £Nil).

17. CAPITAL COMMITMENTS

There were no capital commitments authorised or contracted for at 31 March 2009 or 31 March 2008.

18. REVENUE COMMITMENTS

At the balance sheet date the company had a liability under a property operating lease which expires in May 2014, with a break clause in 2010, at an annual rental of £20,000.

19. ULTIMATE PARENT UNDERTAKING

The Rudolph Palumbo 1955 Settlement ("The Trust") is considered to be the ultimate parent undertaking of the company.

Rugarth Investment Trust Limited, owned by The Trust, was the parent undertaking of the largest and smallest group of which City Acre Property Investment Trust Limited was a member and for which group accounts were drawn up for the year ended 31 March 2009. Copies of the group accounts will be available from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff CF4 3UZ.

The immediate parent undertaking at the year end was Rugarth Investments Limited, a company registered in England and Wales.

CITY ACRE PROPERTY INVESTMENT TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

20. RELATED PARTY TRANSACTIONS

The company is part of a group for which consolidated accounts are publicly available (see note 19). The company has therefore taken advantage of the exemption available under FRS8 from disclosing transactions between group companies.