Martins Properties Limited

Directors' report and financial statements

Registered number 558456

Year ended 31 December 2006

Contents

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activity

The principal activity of the company is that of property owners No significant change in this activity is planned in the foreseeable future

Business review

The results for the year are set out in the profit and loss account on page 5 The Directors believe that profits for 2007 will continue in line with the profile of the current year

In May 2007 the company entered into a contract for the sale of the Woking property at a value of £9 7m This contract successfully completed on 28th December 2007

Directors and Directors' interests

The Directors who held office during the year were as follows

Sir Clive H Martin	(Chairman)
Mr Michael R Milton	(Chief Executive)
Mr Robin S Broadhurst	(Resigned 26 October 2006)
Mr Thomas AH Martin	(Resigned 30 June 2006)

The Director retiring by rotation is Mr Michael R Milton who, being eligible, offers himself for re-election

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its Auditors annually and KPMG LLP will therefore continue in office

By order of the Board

Mr Michael R Milton
Director

Units E1-E4
Barwell Business Park
Leatherhead Road
Chessington
Surrey
KT9 2NY

24th January 2008

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of its profit or loss of the company for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP

Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditors' report to the members of Martins Properties Limited

We have audited the financial statements of Martins Properties Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds and the related notes These financial statements have been prepared 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 purposes 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' responsibility for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 or 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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements In addition we report to you if, in our opinion, 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 other transactions 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 audit 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

Independent auditors' report to the members of Martins Properties Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 January 2008

Profit and loss account

for the year ended 31 December 2006

	Note	2006 £	2005 £
Rents receivable	2	**220,782**	272,313
Other Operating Income		**-**	6,026
Staff costs	5	**(53,854)**	(73,878)
Depreciation of tangible fixed assets		**(2,020)**	(12,216)
Other operating charges		**(2,271)**	(7,726)
Operating profit		**162,637**	184,519
Interest payable and similar charges	6	**(2,866)**	-
Profit on ordinary activities before taxation	3	**159,771**	184,519
Taxation on profit on ordinary activities	7	**(47,193)**	(55,164)
Profit for the financial year		**112,578**	129,355

There were no acquisitions or discontinued operations within the company during 2006 and 2005

Reconciliation of movements in equity shareholders' funds

for the year ended 31 December 2006

	2006 £	2005 £
Profit for the financial year	**112,578**	129,355
Revaluation of land	**2,500,000**	3,051,717
Net addition to equity shareholders' funds	**2,612,578**	3,181,072
Opening equity shareholders' funds	**4,533,207**	1,352,135
Closing equity shareholders' funds	**7,145,785**	4,533,207

Note of historical cost profits and losses
for the year ended 31 December 2006

	2006	2005
	£	£
Reported profit on ordinary activities before taxation	**159,771**	184,519
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	-	10,200
Historical cost profit on ordinary activities before taxation	**159,771**	194,719
Historical cost profit for the year retained after taxation	**112,578**	139,555

Statement of total recognised gains and losses
for the year ended 31 December 2006

	2006	2005
	£	£
Profit for the financial year	**112,578**	129,355
Unrealised surplus on revaluation of properties	**2,500,000**	3,051,717
Total recognised gains and losses relating to the financial year	**2,612,578**	3,181,072

Balance sheet
at 31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	*8*		**7,429,530**		4,931,550
Current assets					
Debtors	*9*	**208,970**		10,521	
Cash at bank and in hand		**1,864**		10,582	
		210,834		21,103	
Creditors amounts falling due within one year	*10*	**(462,376)**		(386,930)	
Net current liabilities			**(251,542)**		(365,827)
Total assets less current liabilities			**7,177,988**		4,565,723
Provisions for liabilities	*11*		**(32,203)**		(32,516)
Net assets			**7,145,785**		4,533,207
Capital and reserves					
Called up share capital	*12*		**100**		100
Revaluation reserve	*13*		**7,030,765**		4,530,765
Profit and loss account	*13*		**114,920**		2,342
Equity shareholders' funds			**7,145,785**		4,533,207

These financial statements were approved by the Board of Directors on 24th January 2008 and were signed on its behalf by

Mr Michael R Milton
Director

Notes

(forming part of the financial statements)

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 except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings

The company is exempt from the requirement of FRS 1 (Revised), to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of MPG Limited, and its cash flows are included within the consolidated cash flow statement of that company

The company is exempt from the requirement of FRS 8 to disclose related party transactions with members of the MPG Group on the grounds that it is a wholly owned subsidiary undertaking of MPG Limited, the ultimate parent company

Fixed assets and depreciation

Depreciation is provided so as to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	1% per annum
Leasehold land and buildings	-	life of lease

No depreciation is provided on freehold land

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Pension costs

The Group operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Group Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group

Details of the group pension scheme can be found in the financial statements of MPG Limited

Notes *(continued)*

2 Turnover

All turnover is derived from rents receivable

3 Profit on ordinary activities before taxation

	2006 £	2005 £
Profit on ordinary activities before taxation is stated		
after charging		
Depreciation and other amounts written off tangible fixed assets		
Owned assets	**2,020**	12,216
after crediting		
Rents receivable from property	**220,782**	272,313

The audit fee in the current and prior year was borne by another group company

4 Remuneration of Directors

	2006 £	2005 £
Directors' emoluments	**34,384**	66,306

	Number of Directors 2006	2005
Retirement benefits are accruing to the following number of Directors under		
Defined benefit schemes	**1**	1
Money purchase schemes	**1**	1

5 Staff numbers and costs

The only employees of the company during this year and the previous year were the Directors

The aggregate payroll costs of the Directors were as follows

	2006 £	2005 £
Wages and salaries	**31,208**	59,500
Social security costs	**3,176**	6,818
Other pension costs (note 15)	**3,780**	7,560
Redundancy costs	**15,690**	-
	53,854	73,878

Notes *(continued)*

6 Interest payable and similar charges

	2006 £	2005 £
Bank loans and overdrafts	**2,866**	-

7 Taxation

	2006 £	2005 £
UK corporation tax		
Current tax on income for the year	**48,547**	57,923
Adjustments in respect of prior periods	**(1,041)**	-
Total current tax	**47,506**	57,923
Deferred tax (see note 11)	**(313)**	(2,759)
Tax on profit on ordinary activities	**47,193**	55,164

The current tax charge represents a payment to fellow group companies for group relief

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2005 higher)* than the standard rate of corporation tax in the UK of 30% *(2005 30%)* The differences are explained below

	2006 £	2005 £
Current tax reconciliation		
Profit on ordinary activities before taxation	**159,771**	184,519
Current tax at 30% *(2005 30%)*	**47,931**	55,356
Effects of		
Expenses/(income) not deductible for tax purposes	**303**	(192)
Capital allowances for period below depreciation	**313**	2,759
Adjustments in respect of prior periods	**(1,041)**	-
Total current tax charge (see above)	**47,506**	57,923

An unrecognised deferred tax liability of £1,660,363 (*2005 £933,998*) exists in respect of the potential tax liability that would be payable if the revalued assets were sold at their current carrying value This has not been recognised in line with FRS 19 "Deferred tax" as no binding sale agreement was in place at 31 December 2006

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings £	Short leasehold £	Total £
Cost or valuation			
At beginning of year	4,920,000	50,501	4,970,501
Revaluation	2,500,000	-	2,500,000
At end of year	7,420,000	50,501	7,470,501
Depreciation and diminution in value			
At beginning of year	-	38,951	38,951
Charge for the year	-	2,020	2,020
At end of year	-	40,971	40,971
Net book value			
At 31 December 2006	7,420,000	9,530	**7,429,530**
At 31 December 2005	4,920,000	11,550	4,931,550

The net book value of land and buildings comprises

	2006 £	2005 £
Freehold	**7,420,000**	4,920,000
Short leasehold	**9,530**	11,550
	7,429,530	4,931,550

The gross book value of land and buildings includes depreciable freehold properties of £nil (*2005 £nil)*

The net book value of freehold land and buildings included above at valuation is as follows

	£
At 31 December 2006 open market value	7,420,000
Depreciation thereon	-

During the prior year freehold land and buildings were valued at £4,920,000, being their open market value in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors, on appraisal and valuation standards by Savills Commercial Limited, Chartered Surveyors and Barnes Noble Edwards, Property Consultants The Directors' best estimate of the freehold land and buildings at 31 December 2006 based on progress made towards obtaining planning permission in relation to the land and buildings held at the Woking site, and informed by a desktop valuation performed by Savills Commercial Limited resulted in an increase in valuation of £2,500,000, bringing the total valuation of freehold land and buildings to £7,420,000

Notes *(continued)*

8 Tangible fixed assets *(continued)*

The net book value of land and buildings (included above at valuation) determined according to the historical cost convention is as follows

	£
Cost	389,235
Depreciation	-
	389,235

9 Debtors

	2006 £	2005 £
Amounts owed by group undertakings	**198,029**	-
Prepayments and accrued income	**10,941**	10,521
	208,970	10,521

10 Creditors. amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	**462,376**	370,941
Accruals and deferred income	-	15,989
	462,376	386,930

Notes *(continued)*

11 Provisions for liabilities

Deferred taxation

	£
At beginning of year	32,516
Credit to profit and loss account	(313)
At end of year	**32,203**

The deferred taxation provision relates entirely to the difference between accumulated depreciation and amortisation and the related capital allowances

12 Called up share capital

	2006 £	2005 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	**100**	100

13 Reserves

	Revaluation reserve £	Profit and loss reserve £
At beginning of year	4,530,765	2,342
Retained profit for the year	-	112,578
Revaluation of properties	2,500,000	-
At end of year	7,030,765	114,920

14 Contingent liabilities

The company has guaranteed the bank borrowings of certain fellow group undertakings The amount outstanding at the year end was £3,555,614 *(2005 £1,760,156)*

The company has also guaranteed certain hire purchase agreements of certain fellow group undertakings The amount outstanding at the year end was £78,782 *(2005 £812,269)*

Notes *(continued)*

15 Pension scheme

The company contributes to a Group pension scheme providing benefits based on final pensionable pay Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme is accounted for by the company as if the scheme was a defined contribution scheme

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,570,000 at 31 December 2005 and that the actuarial value of those assets represented 90% of the benefits that had accrued to members, after allowing for expected future increases in earnings The contributions of the company will remain at 18 2% of earnings and contributions of employees will remain at 7 0% of earnings Additional contributions of £8,060 per month were also be payable until March 2017

Details of the Group scheme can be found in the financial statements of the ultimate parent undertaking MPG Limited

Contributions for the year amounted to £3,780 (*2005 £7,560*)

16 Ultimate parent company

MPG Limited, a company incorporated in Great Britain and registered in England and Wales, is regarded by the Directors as being the company's ultimate parent company Copies of the financial statements of MPG Limited can be obtained from Companies House, Crown Way, Cardiff

17 Post balance sheet events

In May 2007 the company entered into a contract for the sale of the Woking property at a value of £9 7m This contract successfully completed on 28th December 2007

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008 The deferred tax asset/liability has been calculated at 30% in accordance with FRS 19 Any timing differences which reverse before 1 April 2008 will be (charged)/relieved at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of the when the deferred tax assets and liability will reverse, it is not possible to calculate the full financial impact of this change