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CADOGAN DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2007

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CADOGAN DEVELOPMENTS LIMITED**31 DECEMBER 2007**

Directors	S A Corbyn R J Grant
Secretary	P M Loutit
Registered office	18 Cadogan Gardens London SW3 2RP
Registered number	784866
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

CADOGAN DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be that of property development. The company is a wholly owned subsidiary of Cadogan Group Limited and a review of the group's business is set out in the consolidated financial statements.

RESULTS AND DIVIDENDS

The financial statements show a profit for the year attributable to shareholders of £521,933 (2006 - £434,139). An interim dividend of £521,000 (2006 - £434,000) was paid during the year.

DIRECTORS

The directors holding office during the financial year and up to the date of this report are listed on page 1.

Neither of the directors has any beneficial interest in the shares of the company or the holding company.

The ultimate holding company has taken out indemnity insurance in respect of its own and its subsidiaries' directors and officers.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). The financial statements are required by law to 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 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 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 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.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board



P M Loutit

Secretary

24 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CADOGAN DEVELOPMENTS LIMITED

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 8. 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 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

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and 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 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 judgments 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 December 2007 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.



Ernst & Young LLP
Registered auditor
London
24 April 2008

CADOGAN DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
Rents receivable		903,899	831,559
Property expenses		(163,062)	(212,992)
Net rents receivable		740,837	618,567
Other property income		351	603
Administrative expenses		(3,397)	(3,341)
OPERATING PROFIT	3	737,791	615,829
Interest receivable		3,542	159
Interest payable		-	(77)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		741,333	615,911
Tax on profit on ordinary activities	4	(219,400)	(181,772)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		521,933	434,139
Dividend paid		(521,000)	(434,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	7	933	139

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than the profit attributable to shareholders of the company of £521,933 in the year ended 31 December 2007 and the profit attributable to shareholders of the company of £434,139 in the year ended 31 December 2006

HISTORICAL COST PROFITS AND LOSSES

The profit for the year has been calculated on the historical cost basis

Notes 1 to 8 form an integral part of these financial statements

CADOGAN DEVELOPMENTS LIMITED

BALANCE SHEET 31 DECEMBER 2007

	Note	2007 £	2006 £
CURRENT ASSETS			
Leasehold properties		1,217,888	1,217,888
Trade debtors		37,414	79,890
Prepayments and accrued income		9,931	7,086
Other debtors		4,026	11,285
		<u>1,269,259</u>	<u>1,316,149</u>
 CREDITORS - amounts falling due within one year			
Other creditors		14,657	5,367
Amount owed to parent undertaking		949,479	1,044,220
Corporation tax		222,400	184,772
		<u>1,186,536</u>	<u>1,234,359</u>
		<u>82,723</u>	<u>81,790</u>
 CAPITAL AND RESERVES			
Called up share capital	5	100	100
Profit and loss account	6	82,623	81,690
 SHAREHOLDERS' FUNDS	7	<u>82,723</u>	<u>81,790</u>



S A Corbyn
Director



R J Grant
Director

24 April 2008

Notes 1 to 8 form an integral part of these financial statements

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2007

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared in accordance with all applicable accounting standards and under the historical cost convention

(b) Leasehold properties

Leasehold properties are included at the lower of cost and net realisable value

(c) Rents receivable

Rents receivable is stated net of VAT and comprises rents due in respect of the accounting period. The cost of all lease incentives (such as rent-free periods) is offset against the total rent due and the net rental income is then spread evenly over the period from the start of the lease to the date of the next rent review or the lease end date. Increases in rents arising from rent reviews are recognised when the review has been completed and agreed with the tenant.

(d) Related parties

As the company is at least 90% owned directly or indirectly by the ultimate parent undertaking, it has made use of the exemption in Financial Reporting Standard 8, "Related Party Transactions", not to disclose transactions with other group companies.

(e) Cash flow statement

As a wholly owned subsidiary the company has made use of the exemption available under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", not to prepare a cash flow statement.

2 STAFF COSTS AND EMOLUMENTS OF DIRECTORS

The company did not employ any staff during the year (2006 – nil)

The directors received no remuneration during the year (2006 – nil)

3 OPERATING PROFIT is stated after charging

	2007 £	2006 £
Auditors' remuneration – audit of the financial statements	<u>3,760</u>	<u>3,231</u>

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2007

4 TAXATION

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax		
UK corporation tax on profits of the year	222,400	184,772
Adjustments in respect of previous periods	(3,000)	(3,000)
Total tax on profits on ordinary activities	<u>219,400</u>	<u>181,772</u>

(b) Factors affecting tax charge for the year

The tax charge for the current year is the same as the current standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 %	2006 %
Standard tax rate	30	30
Actual current tax rate	30	30
Difference	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008. This rate change will affect the amount of future cash payments to be made by the company.

The company does not expect its future effective tax rate to differ materially from the standard UK tax rate.

5 CALLED UP SHARE CAPITAL

	2007 £	2006 £
250,000 Authorised ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
100 Allotted and fully paid ordinary shares of £1 each	<u>100</u>	<u>100</u>

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2007

6 RESERVES

	Profit and loss account £
At 31 December 2006	81,690
Retained profit for the year	933
At 31 December 2007	<u>82,623</u>

7 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit attributable to members	521,933	434,139
Dividend	(521,000)	(434,000)
Net addition to shareholders' funds	<u>933</u>	<u>139</u>
Opening shareholders' funds	81,790	81,651
Closing shareholders' funds	<u>82,723</u>	<u>81,790</u>

8 ULTIMATE HOLDING COMPANY

The holding company for all operational purposes is Cadogan Group Limited. This is the smallest group which included the company's results in its consolidated financial statements.

In the directors' opinion, the company's ultimate holding company (and the largest group in which the company's results are consolidated) is Cadogan Settled Estates Limited.

The ultimate ownership of Cadogan Settled Estates Limited is vested in The Eighth Earl Cadogan's 6 December 1961 Settlement.

Group financial statements are prepared by Cadogan Settled Estates Limited and Cadogan Group Limited and can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.