

Industrious Estates Limited

**Directors' report and financial
statements**

Registered number 801273

For the year ended 31 December 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activity and business review

The company's principal activity continues to be that of property trading in the United Kingdom. There has been no significant change in this activity in the year.

During the year, the company acquired a trading property from a fellow group undertaking. The property was disposed of after the year end for a total consideration of £6m. Consequently the directors have written down the carrying value of the property at the year end to reflect this.

The company's results for the year are set out on page 4.

Dividends

The directors do not recommend the payment of a final dividend (2003: £Nil). An interim dividend of £3,734,857 was paid on 9 August 2004.

Directors

The directors who served during the year were as follows:

RW Carey
IC Melia
JSP Keogan

Directors' interests

The notifiable interests of Messrs RW Carey, IC Melia and JSP Keogan in group undertakings have been disclosed in the directors' report and financial statements of Chamberflame, a UK intermediate parent company.

This report was approved by the board of directors on 26 October 2005 and signed on its behalf by:



JSP Keogan
Director

The Gables
Kenilworth Road
Leamington Spa
Warwickshire
CV32 6JX

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 or loss 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;
- 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 to enable them to ensure that the 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 Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Industrious Estates Limited

We have audited the financial statements on pages 4 to 9.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 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.

Basis of audit opinion

We conducted our audit in accordance with 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 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 of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 October 2005

Profit and loss account
for the year ended 31 December 2004

	<i>Note</i>	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Turnover	2	166	95
Cost of sales – including exceptional costs of £1,567,513 (2003: £Nil)	3	(1,569,783)	(6,417)
		<hr/>	<hr/>
Gross loss		(1,569,617)	(6,322)
Administration expenses		(1,350)	-
		<hr/>	<hr/>
Operating loss	5	(1,570,967)	(6,322)
Interest receivable		129,035	1,610
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,441,932)	(4,712)
Tax on loss on ordinary activities	6	447,717	1,188
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(994,215)	(3,524)
Equity dividends paid	7	(3,734,857)	-
		<hr/>	<hr/>
Retained loss for the year/period	13	(4,729,072)	(3,524)
		<hr/> <hr/>	<hr/> <hr/>

Unless otherwise stated, the results set out above relate to continuing businesses.

There were no recognised gains and losses during the year or the previous period other than the results set out above.

Balance sheet
at 31 December 2004

	<i>Note</i>	2004 £	2003 £
Current assets			
Trading properties		6,000,000	-
Debtors	8	518,298	3,637,735
Cash at bank and in hand		45,238	45,238
		<hr/> 6,563,536	<hr/> 3,682,973
Creditors: Amounts falling due within one year	9	(7,646,199)	(36,564)
		<hr/> (1,082,663)	<hr/> 3,646,409
Net (liabilities)/assets		<hr/> (1,082,663)	<hr/> 3,646,409
Capital and reserves			
Called up share capital	11	1,200	1,200
Profit and loss account	12	(1,083,863)	3,645,209
		<hr/> (1,082,663)	<hr/> 3,646,409
Equity shareholders' (deficit)/funds	13	(1,082,663)	3,646,409

These financial statements were approved by the board of directors on *26 October 2005* and were signed on its behalf by:


JSP Keogan
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.

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards using the historic cost convention.

The company has net liabilities of £1,082,663. The company's parent company has indicated that it will provide or procure such funds as are necessary to enable the company to settle all liabilities as they fall due.

Trading properties

Trading properties are held for resale at the lower of cost and net realisable value.

Acquisitions and disposals of properties

Acquisitions and disposals of trading properties are accounted for when an unconditional contract has been exchanged.

Deferred taxation

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 that deferred tax may not be recognised on any potential capital gain where a binding sale commitment is not in place.

Related party disclosures

Under FRS8, the company is exempt from the requirement to disclose transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Chamberflame and its results are included in that company's consolidated financial statements.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Chamberflame and its results are included in that company's consolidated financial statements.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from gross rent receivable and gross proceeds from the sale of trading properties in the United Kingdom.

3 Exceptional costs

Exceptional costs of £1,567,513 incurred in the year ended 31 December 2004 relate to a provision made against the carrying value of the Tribune Trading Estate, Rugby. Subsequent to the year end an offer has been accepted to purchase the property. Therefore the directors have written down the carrying value of the property at the year end to reflect this as they believe that the offer is evidence of a fall in the net realisable value of the property at that date.

4 Staff numbers and costs

No persons, except for the directors, were employed by the company (2003: nil) and no staff costs or directors' emoluments were incurred (2003: £Nil).

Notes *(continued)*

5 Operating loss

The audit fees in the year ended 31 December 2004 were paid by Industrious Asset Management Limited (*period ended 31 December 2003: Industrious Asset Management Limited*), a fellow group undertaking.

6 Tax on loss on ordinary activities

(a) Credit for the year/period

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
<i>Current tax</i>		
UK corporation tax	(432,463)	(1,188)
Adjustments in respect of prior years	(15,254)	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	(447,717)	(1,188)
	<hr/>	<hr/>

(b) Factors affecting the credit for the year/period

The tax assessed for the year is higher (*2003: lower*) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Loss on ordinary activities before taxation	(1,441,932)	(4,712)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(432,580)	(1,414)
Expenses not deductible for tax purposes	117	226
Adjustments re previous periods	(15,254)	-
	<hr/>	<hr/>
Current tax credit for the year/period	(447,717)	(1,188)
	<hr/>	<hr/>

Notes (continued)

7 Dividends

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Interim dividend paid of £3,734.86 per share (31 December 2003: £Nil)	3,734,857	-

8 Debtors

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Trade debtors	15,093	112
Amounts owed by group undertakings	501,512	3,637,528
Prepayments	1,693	95
	<u>518,298</u>	<u>3,637,735</u>

9 Creditors: amounts falling due within one year

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Amount owed to group undertakings	7,586,562	-
Mainstream corporation tax	25,194	35,600
Other creditors	726	727
Accruals and deferred income	32,601	237
Other taxes and social security	1,116	-
	<u>7,646,199</u>	<u>36,564</u>

10 Deferred taxation

The unprovided deferred taxation asset comprises:

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Short term timing differences	-	(350,000)

Notes (continued)

11 Share capital

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
<i>Authorised, allotted, called up and fully paid:</i>		
1,000 ordinary shares of £1 each	1,000	1,000
200 'A' ordinary shares of £1 each	200	200
	<u>1,200</u>	<u>1,200</u>

12 Profit and loss account

	£
At beginning of year	3,645,209
Retained loss for the year	(4,729,072)
At end of year	<u>(1,083,863)</u>

13 Reconciliation of movement in equity shareholders' (deficit)/funds

	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Loss for the financial year/period	(994,215)	(3,524)
Dividends	(3,734,857)	-
	<u>(4,729,072)</u>	<u>(3,524)</u>
Opening equity shareholders' funds	3,646,409	3,649,933
Closing equity shareholders' (deficit)/funds	<u>(1,082,663)</u>	<u>3,646,409</u>

14 Ultimate parent company

As at 31 December 2004, the directors consider Morgan Stanley Real Estate Fund IV, a discretionary real estate private investment opportunity fund sponsored by a member of the Morgan Stanley Group, to be the ultimate controlling party by virtue of its shareholding in Industrious Holdings (Jersey) Limited, incorporated in Jersey, of whom Chamberflame is a wholly owned subsidiary. On 31 May 2005 Industrious Holdings (Jersey) Limited was put into liquidation and consequently, Morgan Stanley Real Estate Fund IV now has a direct shareholding in Pinstripe (Jersey) Limited. Pinstripe (Jersey) Limited is a wholly owned subsidiary of Industrious Holdings (Jersey) Limited.

On 31 May 2005, Industrious Holdings (Jersey) Limited was put into liquidation and consequently, Morgan Stanley Real Estate Fund IV now has a direct shareholding in Pinstripe (Jersey) Limited.

The results of the company are consolidated in the UK group headed by Chamberflame. The consolidated financial statements of this company are available to the public and can be obtained from The Gables, Kenilworth Road, Leamington Spa, Warwickshire CV32 6JX.