Firville Investments Limited

Directors' report and financial statements

Registered number 1060048

31 December 2005

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the company is property trading. There has been no significant change in the nature of the company's business activity during the year nor is any envisaged in the immediate future.

Financial statements and dividends

The result for the year ended 31 December 2005 is set out in the attached financial statements.

The directors do not recommend the payment of a dividend *(2004: £nil).*

Property

A professional valuation of the property held for trading was carried out at 31 December 2001 and the surplus over book value of £218,400 at that time was not incorporated in the financial statements. The directors are satisfied that at 31 December 2005 property held for trading had a value in excess of its book value.

Directors and directors' interests

The directors who held office during the year, and who are still in office, are:

Mr BSE Freshwater
Mr D Davis

The Articles of Association of the company do not require the directors to retire by rotation.

Neither director has a service contract nor receives any emoluments from the company.

Day-to-day management of the company's property is carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of Highdorn Co. Limited and has a non-beneficial interest in its share capital.

The whole of the issued share capital of the company is owned by Metropolitan Properties Co (FGC) Limited.

Mr BSE Freshwater and Mr D Davis are also directors of the intermediate parent undertaking, Metropolitan Properties Company Limited and Mr BSE Freshwater's interest therein is set out in the directors' report of that company.

Apart from the aforementioned, at 31 December 2005, neither of the directors had any interest in the share capital of the company, the company's parent undertaking or any subsidiary of the company's parent undertaking.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Cohen Arnold and KPMG LLP as joint auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

MRM Jenner
Secretary

Freshwater House
158/162 Shaftesbury Avenue
London WC2H 8HR

16 June 2006

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.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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.

Report of the joint independent auditors, Cohen Arnold and KPMG LLP, to the members of Firville Investments Limited

We have audited the financial statements of Firville Investments Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet 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 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 described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Cohen Arnold

Cohen Arnold
Chartered Accountants
Registered Auditor
London

16 June 2006

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
London

16 June 2006

Profit and loss account
for the year ended 31 December 2005

	Note	2005	2004
		£	£
Rents and charges receivable		**700**	700
Administrative expenses		**(1,000)**	(1,000)
Loss on ordinary activities for the financial year before and after taxation	2,7	**(300)**	(300)

There were no recognised gains or losses in the current or previous year other than those disclosed above.

All of the company's activities are continuing.

There is no difference between the results as stated and the results on a historic cost basis in either the current or previous year.

Balance sheet
at 31 December 2005

	Note	2005	2004
		£	£
Current assets			
Stocks - property held for trading	*3*	**11,600**	11,600
Debtors	*4*	**146,130**	146,430
		157,730	158,030
Creditors: amounts falling due within one year	*5*	**(875,186)**	(875,086)
Net liabilities		**(717,456)**	(717,056)
Capital and reserves			
Equity share capital		**100**	100
Non equity share capital		**-**	100
Called up share capital	*6*	**100**	200
Profit and loss account	*7*	**(717,556)**	(717,256)
Shareholders' deficit	*8*	**(717,456)**	(717,056)

Other than the non-equity share capital of £100, the shareholders' deficit relates exclusively to equity shareholders' interests.

These financial statements were approved by the board of directors on 16 June 2006 and were signed on its behalf by:

BSE Freshwater
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 preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The financial statements have been prepared on the going concern basis, notwithstanding the company's net liabilities, which the directors believe to be appropriate of the following reasons. The company is dependent for its working capital on funds provided to it by Metropolitan Properties Company Limited, the company's intermediate parent undertaking. Metropolitan Properties Company Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have not reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Property held for trading

Property held for trading is stated at the lower of cost and estimated net realisable value.

Disposals are considered to take place at the date of legal completion.

Taxation

Current

Provision is made for consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions.

Turnover

Turnover is comprised of ground rents receivable during the year.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement (in accordance with Financial Reporting Standard No. 1 (revised 1996)) on the grounds that it is a wholly-owned subsidiary undertaking of an immediate holding company registered in England and Wales which prepares consolidated accounts that include a consolidated cash flow statement.

Related party transactions

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures in order to dispense with the requirement to disclose transactions with other Metropolitan Properties Company Limited group companies.

Notes
(forming part of the financial statements)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

The Company has taken advantage of the transitional arrangements of FRS 25 not to restate corresponding amounts in accordance with the above policy. The adjustments necessary to implement this policy have been made as at 1 January 2005 with the net adjustment to net assets taken through the current year reconciliation of movements in shareholders' funds. Corresponding amounts for the year ended 31 December 2004 are presented and disclosed in accordance with the requirements of FRS 4.

The nature of the main effects upon the balance sheet at 1 January 2005 are that the non-voting redeemable deferred shares are treated as part of shareholders' funds at 31 December 2004 and as liabilities at 1 January 2005, increasing net debt and reducing reported share capital and net assets at the start of the current year.Notes ***(continued)***

2 Loss on ordinary activities before and after taxation

	2005	2004
	£	£
Loss on ordinary activities before and after taxation is stated after charging:		
Auditors' remuneration for audit services	**1,000**	1,000

The directors of the company did not receive any emoluments from the company during the year or in the previous year.

Apart from the directors, there were no other employees of the company during the year or in the previous year.

Notes *(continued)*

3 Stocks – property held for trading

	2005	2004
	£	£
Property held for trading at cost	**11,600**	11,600

4 Debtors

	2005	2004
	£	£
Rents and service charges due and accrued	**18**	18
Amount due from immediate parent undertaking	**146,112**	146,412
	146,130	146,430

5 Creditors: amounts falling due within one year

	2005	2004
	£	£
Shares classified as liabilities	**100**	-
Amount due to intermediate parent undertaking	**300**	300
Interest payable to immediate and intermediate parent undertakings	**873,786**	873,786
Other creditors and accruals	**1,000**	1,000
	875,186	875,086

As more fully explained in note 1, classifications of financial liabilities are determined on different bases in 2005 and 2004 due to the transitional provisions of FRS 25.

Notes *(continued)*

6 Called up share capital

	2005	2004
	£	£
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100
100 6% non-cumulative preference shares of £1 each	**100**	100
	200	200

	2005	2004
	£	£
Shares classified as liabilities (note 5)	**100**	-
Shares classified in shareholders' funds	**100**	200
	200	200

As more fully explained in note 1, classifications within shareholders' funds are determined on different bases in 2005 and 2004 due to the transitional provisions of FRS 25.

The non-cumulative preference shares confer the rights on the holders to receive a non-cumulative dividend each year at the rate of 6% on the amounts paid up. These shares would rank above the ordinary shares and be redeemable at par in the event of a winding up of the company. There are insufficient reserves to pay a dividend.

7 Profit and loss account

	£
At 1 January 2005	(717,256)
Loss for the year after taxation	(300)
At 31 December 2005	**(717,556)**

8 Reconciliation of movements in shareholders' deficit

	2005	2004
	£	£
Loss for the financial year	**(300)**	(300)
Opening shareholders' deficit	**(717,056)**	(716,756)
Effect of adoption of FRS25 on 1 January 2005	**(100)**	-
Closing shareholders' deficit	**717,456**	(717,056)

Notes *(continued)*

9 Charges on assets

The company has charged its trading property with a book value of £11,600 *(2004: £11,600)* as part security for bank loan and overdraft facilities granted to an intermediate parent undertaking, Metropolitan Properties Company Limited, the amount drawn down under which at 31 December 2005 aggregated £11,620,945 *(2004: £11,544,784).*

The company has executed a floating charge over all the assets and undertaking of the company as part security for loan facilities granted to Centremanor (E.S.) Limited, a subsidiary of an intermediate parent undertaking. At 31 December 2005 the aggregate indebtedness amounted to £30,425,000 *(2004: £30,425,000).*

10 Ultimate parent undertaking

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up is Centremanor Limited, a company registered in England and Wales.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up is Metropolitan Properties Company Limited, a company registered in England and Wales.

Copies of these financial statements can be obtained from the following address:

Freshwater House, 158/162 Shaftesbury Avenue, London WC2H 8HR.

The ultimate parent undertaking is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.