

Second Charles Investments Limited

**Directors' report and financial
statements**

Registered number 1294889

31 December 2004



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the joint independent auditors, Cohen, Arnold & Co and KPMG LLP, to the members of Second Charles Investments Limited	3
Balance sheet	4
Notes	5

Directors' report

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

Principal activity

The principal activity of the company is property investment but it has been inactive during the year.

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.

The whole of the issued share capital of the company is owned by Avenue Properties (St. John's Wood) Limited.

Mr BSE Freshwater and Mr D Davis are also directors of the intermediate parent undertaking, Centremanor Limited and their interests therein are set out in the directors' report of that company.

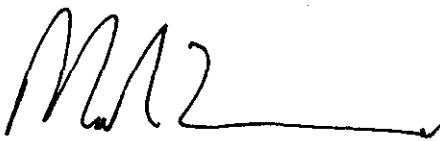
At 31 December 2003 and 31 December 2004, Mr BSE Freshwater had a non-beneficial interest in 2,200 stock units of £1 each in Metropolitan Properties Company Limited, a fellow subsidiary undertaking of Avenue Properties (St. John's Wood) Limited.

Apart from the aforementioned, at 31 December 2004, 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 & Co 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

30 June 2005

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 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 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 ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

Report of the joint independent auditors, Cohen, Arnold & Co and KPMG LLP, to the members of Second Charles Investments Limited

We have audited the financial statements on pages 4 to 6.

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.

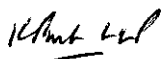
Opinion

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 result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cohen, Arnold & Co
Chartered Accountants
Registered Auditors
London

30 June 2005



KPMG LLP
Chartered Accountants
Registered Auditor
London

30 June 2005

Balance sheet
at 31 December 2004

	<i>Note</i>	2004 £	2003 £
Creditors: amounts falling due within one year	4	(36,827)	(36,827)
Net liabilities		(36,827)	(36,827)
Capital and reserves			
Equity share capital		7	7
Non-equity share capital		90	90
Called up share capital	5	97	97
Profit and loss account		(2,160)	(2,160)
Other reserves - capital reserve (deficit)		(34,764)	(34,764)
Shareholders' deficit		(36,827)	(36,827)

Other than the non-equity share capital of £90, shareholders' funds relate exclusively to equity shareholders' interests.

The company has not traded and has made neither a profit nor a loss in the current or preceding year. Consequently, no profit or loss account is presented.

There are no recognised gains or losses for the current or preceding year.

These financial statements were approved by the board of directors on 30 June 2005 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 for the following reasons. The company is dependent for its working capital on funds provided by Centremanor Limited, the company's intermediate parent undertaking. Centremanor 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.

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 no 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.

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 Centremanor Limited Group companies.

2 Profit and loss account

During the year and the preceding year, the company did not trade and incurred no income or expenditure. Consequently, during those years the company made neither a profit nor a loss and therefore a profit and loss account has not been prepared.

3 Remuneration of directors

The directors 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)

4 Creditors: amounts falling due within one year

	2004 £	2003 £
Amount due to fellow subsidiary undertaking	36,827	36,827

5 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
Equity share capital		
10 ordinary shares of £1 each	10	10
Non-equity share capital		
90 10% non-cumulative preference shares of £1 each	90	90
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Equity share capital		
7 ordinary shares of £1 each	7	7
Non-equity share capital		
90 10% non-cumulative preference shares of £1 each	90	90
	<u>97</u>	<u>97</u>

The non-cumulative preference shares confer the right on the holders to receive a non-cumulative dividend each year at the rate of 10% on the amounts paid up. These shares would rank above the ordinary shares in the event of a winding up and be redeemable at par. There were insufficient reserves to pay a dividend.

6 Ultimate parent undertaking

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up is Centremanor 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.