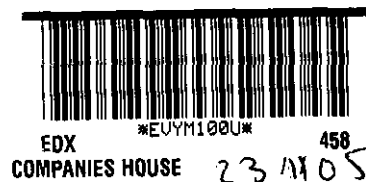


PENWOOD INVESTMENTS LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2004



PENWOOD INVESTMENTS LIMITED
DIRECTORS AND ADVISERS

Directors	P R Klimt G A Naggar P M Rogers I P Besley
Secretary	M J Langridge
Company number	2362819
Registered office	15 Grosvenor Gardens London, SW1W 0BD
Auditors	Weston Kay 73/75 Mortimer Street London, W1W 7SQ
Bankers	Barclays Bank Plc PO Box 544 54 Lombard Street London, EC3V 9EX Bank of Scotland Plc 38 Threadneedle Street London, EC2P 2HL
Solicitors	Klimt & Co 49 Welbeck Street London, W1G 9XN

**PENWOOD INVESTMENTS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2004**

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

Principal activities

The principal activity of the company during the year has remained that of property investment.

Review of the business

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The profit and loss account is set out on page 4.

The directors do not recommend payment of an ordinary dividend (2003 - £Nil).

It is proposed that the retained profit of £1,373,396 (2003 - £1,080,286) is transferred to the company's reserves.

Fixed assets

Significant changes in fixed assets during the year are explained in note 9 to the financial statements.

Directors and their interests

The following directors have held office since 1 January 2004:

P R Klimt
G A Naggar
P M Rogers
I P Besley
C Hancock (Resigned 28 September 2004)

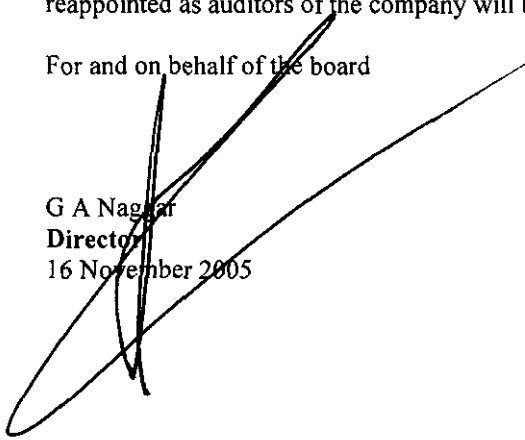
The beneficial interests of the directors in the share capital of this company's ultimate holding company, Dawnay, Day Properties Limited, are reflected in the financial statements of that company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Weston Kay be reappointed as auditors of the company will be put to the Annual General Meeting.

For and on behalf of the board

G A Naggar
Director
16 November 2005



PENWOOD INVESTMENTS LIMITED

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; 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 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 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.

**PENWOOD INVESTMENTS LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PENWOOD INVESTMENTS LIMITED**

We have audited the financial statements of Penwood Investments Limited for the year ended 31 December 2004 on pages 4 to 12 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements within it.

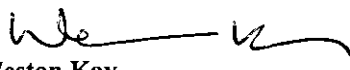
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Weston Kay
Chartered Accountants
Registered Auditor
73/75 Mortimer Street
London W1W 7SQ

16 November 2005

PENWOOD INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Gross rental income	2	1,024,303	1,150,442
Irrecoverable property expenses		(74,477)	(29,222)
Net rental income		949,826	1,121,220
Administrative expenses		(46,471)	(50,225)
Other operating income	4	800,017	-
Operating profit	3	1,703,372	1,070,995
Interest receivable and similar income	5	1,313	1,843
Interest payable and similar charges	6	(799,085)	(1,278)
Profit on sale of investment property	7	482,193	(28,320)
Profit on ordinary activities before taxation		1,387,793	1,043,240
Taxation on profit on ordinary activities	8	(14,397)	37,046
Retained profit for the year	14	1,373,396	1,080,286

The profit and loss account has been prepared on the basis that all operations are continuing operations.

PENWOOD INVESTMENTS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004

Statement of total recognised gains and losses

	2004 £	2003 £
Retained profit for the year	1,373,396	1,080,286
Total recognised gains relating to the year	<u>1,373,396</u>	<u>1,080,286</u>

Note of historical cost profits and losses

	2004 £	2003 £
Reported profit on ordinary activities before taxation	1,387,793	1,043,240
Realisation of property revaluation deficit of previous years	(300,001)	-
Historical cost profit on ordinary activities before taxation	<u>1,087,792</u>	<u>1,043,240</u>
Historical cost profit for the year retained after taxation, extraordinary items and dividends	<u>1,073,395</u>	<u>1,080,286</u>

Reconciliation of movement on shareholders funds

	2004 £	2003 £
Total recognised gains and losses	1,373,396	1,080,286
Opening shareholders' funds	1,039,520	(40,766)
Closing shareholders' funds	<u>2,412,916</u>	<u>1,039,520</u>

PENWOOD INVESTMENTS LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
Fixed assets			
Investment properties	9	14,662,211	15,819,955
Current assets			
Debtors	10	22,907	88,699
Cash at bank and in hand		433	97,852
		<u>23,340</u>	<u>186,551</u>
Creditors: amounts falling due within one year	11	<u>(12,232,606)</u>	<u>(14,941,354)</u>
Net current liabilities		<u>(12,209,266)</u>	<u>(14,754,803)</u>
Total assets less current liabilities		2,452,945	1,065,152
Provisions for liabilities and charges	12	<u>(40,029)</u>	<u>(25,632)</u>
		<u>2,412,916</u>	<u>1,039,520</u>
Capital and reserves			
Called up share capital	13	2	2
Revaluation reserve	14	280,472	(19,529)
Profit and loss account	14	<u>2,132,442</u>	<u>1,059,047</u>
Equity shareholders' funds		<u>2,412,916</u>	<u>1,039,520</u>

The financial statements were approved by the board on 16 November 2005.

G A Naggar
Director

PENWOOD INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Basis of preparation

These financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties.

The financial statements are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked see 'Investment properties'.

1.2 Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 from the requirement to produce a cash flow statement on the grounds that its results are included in the consolidated accounts of Dawnay, Day Properties Limited, this company's ultimate parent company.

1.3 Investment properties

Investment properties are accounted for in accordance with SSAP 19. They are valued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless on an individual property the deficit below original cost is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

1.5 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise because of the treatment of certain items for taxation and accounting purposes. The company does not intend to discount deferred tax balances where they arise.

1.6 Loans

The financing for the property is held by the parent company. The subsidiary reflects its share of the funding via the intercompany loan account with the parent and this is included in creditors falling due within one year. Loan interest payable is included in the financial statements of the parent company. Loan interest payable is included in the financial statements of the parent company.

Balances between group companies bear interest at bank base rate plus a margin of 200 basis points.

1.7 Group relief for corporation tax

The company does not pay for group relief given on losses surrendered by fellow group members where there are no minority shareholders. Any losses surrendered to other group companies where there are no minority shareholders are not paid for by the company receiving the relief. All other group relief is paid for at the appropriate corporation tax rate.

PENWOOD INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

2 Rental income

The rental income of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Auditors' remuneration	5,500	5,250
	<u>5,500</u>	<u>5,250</u>

Employees

The average number of employees during the year was nil (2003 – nil). None of the directors received any remuneration in the year.

4 Other operating income

	2004	2003
	£	£
Surrender lease	800,000	-
Miscellaneous income	17	-
	<u>800,017</u>	<u>-</u>

5 Interest receivable and similar income

	2004	2003
	£	£
Bank interest	528	718
Interest paid late tax	107	-
Other interest	678	1,125
	<u>1,313</u>	<u>1,843</u>

6 Interest payable and similar charges

	2004	2003
	£	£
Bank interest	-	4
Group loans	799,085	-
On over due tax	-	1,274
	<u>799,085</u>	<u>1,278</u>

PENWOOD INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

7 Profit on sale of investment properties

	2004 £	2003 £
Proceeds on sale of investment properties	1,725,000	-
Disposal costs on sale of investment properties	(42,808)	(28,320)
Net proceeds	1,682,192	-
Historical cost of investment properties	(1,500,000)	-
Revaluation deficit realised on sale of investment properties	300,001	-
	<u>482,193</u>	<u>(28,320)</u>

8 Taxation

(a) Analysis of the charge in year

	2004 £	2003 £
U. K. current year taxation		
U. K. corporation tax at 30%	-	30,000
Adjustments in respect of previous years	-	(72,070)
Current tax charge	-	(42,070)
Deferred taxation	14,397	5,024
	<u>14,397</u>	<u>(37,046)</u>

(b) Factors affecting tax charge for the year

The tax charged assessed is lower than that resulting from applying the standard rate of corporation tax in the U. K. 30% (2003 – 30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before taxation	1,387,793	1,043,240
Tax at 30% thereon	416,339	312,972
Plus/(less) the effects of:		
Permanent differences	12,619	299
Capital allowances in excess of depreciation	(7,414)	(9,885)
Other fixed asset timing differences	(217,016)	-
Revaluation	(90,000)	-
Indexation	(61,354)	-
Adjustments in respect of previous year	-	(72,070)
Unutilised losses	-	8,497
Group relief surrendered and not paid for	(53,174)	(281,883)
Current tax charge	<u>-</u>	<u>(42,070)</u>

PENWOOD INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

9 Investment properties

	Freehold properties £
Cost or valuation	
As at 1 January 2004	15,819,955
Disposals	(1,200,000)
Additions	42,256
	<hr/>
As at 31 December 2004	14,662,211
	<hr/>

The valuation of investment properties was made as at 31 December 2004 by the directors of the company, on an open market basis. No depreciation is provided in respect of these properties.

On an historical cost basis the properties would have been included at an original cost of £14,381,740 (2003 - £16,029,876).

10 Debtors

	2004 £	2003 £
Trade debtors	18,594	72,780
Other debtors	4,313	15,919
	<hr/>	<hr/>
	22,907	88,699
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	-	2,746
Amounts owed to group undertakings	11,860,603	14,679,132
Taxation and social security costs	179,584	32,372
Other creditors	1,110	4,458
Accruals	191,309	222,646
	<hr/>	<hr/>
	12,232,606	14,941,354
	<hr/>	<hr/>

PENWOOD INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

12 Provision for liabilities and charges

Deferred tax at 30% (2003 - 30%) on timing differences provided in the financial statements is as follows:

	2004 £	2003 £
As at 1 January 2004	25,632	20,608
Charge to profit and loss account	14,397	5,024
As at 31 December 2004	<u>40,029</u>	<u>25,632</u>

The amounts of deferred tax provided is as follows:

	2004 £	2003 £
Capital allowances in excess of depreciation	40,029	34,128
Unutilised losses	-	(8,496)
	<u>40,029</u>	<u>25,632</u>

If the investment property held at the year end were to be sold, this would result in an additional tax charge of £Nil (2003 - £Nil).

13 Share capital

	2004 £	2003 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

14 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
As at 1 January 2004	(19,529)	1,059,047
Retained profit for the year	-	1,373,396
Reserve written back	300,001	(300,001)
As at 31 December 2004	<u>280,472</u>	<u>2,132,442</u>

PENWOOD INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

15 Transactions with directors

P R Klimt is a consultant to Klimt & Co, Solicitors, who provide legal services to the company on normal commercial terms.

16 Contingent liabilities

The company has cross guarantees in place with other group companies to secure group loans against their investment properties.

The company has given a guarantee in respect of a bank overdraft facility given to the parent company, Dawnay, Day Properties Limited. At the year end, the potential liability in respect of this overdraft was £Nil.

18 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard number 8 from the requirement to make disclosures concerning group companies, since the results of this company are to be included in the consolidated financial statements of Dawnay, Day Properties Limited.

Included within other creditors are accruals of £9,389 (2003 - £8,728) relating to property management fees payable to Dawnay, Day Property Investment Limited.

During the year property management fees of £38,215 (2003 - £34,519) were charged by Dawnay, Day Property Investment Limited.

P R Klimt and G A Naggar are directors of and have material interests in Dawnay, Day International Limited and Dawnay, Day Property Investment Limited. P M Rogers and I P Besley are directors of Dawnay, Day Property Investment Limited.

19 Control

The parent undertaking of the largest group, which includes the company and for which group accounts are prepared, is Dawnay, Day Properties Limited, a company incorporated in England and Wales. Copies of the group financial statements of Dawnay, Day Properties Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The ultimate controlling party is P R Klimt.