Penn House Estates Limited

Report and Financial Statements

15 Month Period Ended

31 March 2005

3316576

BDO

BDO Stoy Hayward
Chartered Accountants

Penn House Estates Limited

Annual report and financial statements for the period ended 31 March 2005

Contents

Directors

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Statement of total recognised gains and losses, note of historical cost profits and losses and reconciliation of movements in shareholders' funds
7	Balance sheet
8	Notes forming part of the financial statements

Directors

REIT (Corporate Directors) Limited

Secretary and registered office

REIT (Corporate Services) Limited, 5 Wigmore Street, London W1U 1PB

Company number

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Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Penn House Estates Limited

Report of the directors for the period ended 31 March 2005

The directors present their report together with the audited financial statements for the period ended 31 March 2005.

Change of accounting reference date

During the period the company changed its accounting reference date from 31 December to 31 March.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the period.

The directors do not recommend the payment of a dividend (31 December 2003 - £Nil).

Principal activities, trading review and future developments

The principal activity of the company is property investment and the management of its property.

The position of the company at the end of the period is set out in the balance sheet.

The directors consider that the company will perform satisfactorily in the forthcoming period.

Directors

The directors of the company during the period were:

R J Dossett	(resigned 15 July 2004)
B S Clegg	(resigned 15 July 2004)
K D Malone	(resigned 15 July 2004)
P J Holland	(resigned 15 July 2004)

REIT (Corporate Directors) Limited (appointed 15 July 2004)

None of the directors had beneficial interest in the share capital of the company or the parent company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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; 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.

Auditors

Deloitte & Touche LLP resigned as auditors of the company during the year and BDO Stoy Hayward LLP were appointed as auditors of the company by the directors. BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

By order of the Board

For and on behalf of REIT (Corporate Services) Limited

Secretary

Date 14/1/2006

To the shareholders of Penn House Estates Limited

We have audited the financial statements of Penn House Estates Limited for the period ended 31 March 2005 on pages 5 to 12 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

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

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

Qualified opinion arising from disagreement about accounting treatment

As explained in note 1, investment properties have been included in the financial statements at 31 December 2003 valuation rather than at open market value as required by Statement of Standard Accounting Practice No. 19 'Accounting for investment properties'. We are unable to quantify the effect, if any, on reserves and tangible fixed assets of this non-compliance with accounting standards.

Except for the failure to include the investment property at open market value, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Date 14/12/06

Penn House Estates Limited

Profit and loss account for the period ended 31 March 2005

	Note	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Turnover	1	**178,938**	161,940
Cost of sales		**(6,820)**	(1,350)
Gross profit		**172,118**	160,590
Administrative expenses	1	**(42,569)**	(28,458)
Operating profit	2	**129,549**	132,132
Profit on disposal of investment properties		**167,076**	-
Profit on ordinary activities before interest		**296,625**	132,132
Interest receivable and similar income		**-**	36
Profit on ordinary activities before and after taxation transferred to reserves	3,9	**296,625**	132,168

All amounts relate to continuing activities.

The notes on pages 8 to 12 form part of these financial statements.

Penn House Estates Limited

Statement of total recognised gains and losses, note of historical cost profits and losses and reconciliation of movements in shareholders' funds for the period ended 31 March 2005

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Statement of total recognised gains and losses		
Profit for the period	**296,625**	132,168
Surplus arising on revaluation of properties	**-**	210,000
Total recognised gains and losses for the period	**296,625**	342,168
Note of historical cost profits and losses		
Profit on ordinary activities before taxation	**296,625**	132,168
Realisation of property revaluation gains of previous years	**236,605**	-
Historical cost profit on ordinary activities before taxation	**533,230**	132,168
Reconciliation of movements in shareholders' funds		
Profit for the period	**296,625**	132,168
Surplus arising on revaluation of properties	**-**	210,000
Net addition to shareholders' funds	**296,625**	342,168
Opening shareholders' funds	**2,499,431**	2,157,263
Closing shareholders' funds	**2,796,056**	2,499,431

The notes on pages 8 to 12 form part of these financial statements.

Penn House Estates Limited

Balance sheet at 31 March 2005

	Note	31 March 2005 £	31 March 2005 £	31 December 2003 £	31 December 2003 £
Fixed assets					
Tangible assets	4		**235,000**		1,955,000
Current assets					
Debtors	5	**2,698,583**		633,389	
Cash at bank and in hand		**-**		18	
		2,698,583		633,407	
Creditors: amounts falling due within one year	6	**(137,527)**		(88,976)	
Net current assets			**2,561,056**		544,431
Total assets less current liabilities			**2,796,056**		2,499,431
Capital and reserves					
Called up share capital	7		**100**		100
Revaluation reserve	8		**(120,398)**		116,208
Profit and loss account	9		**2,916,354**		2,383,123
Equity shareholders' funds			**2,796,056**		2,499,431

The financial statements were approved by the Board on 14/12/06

For and on behalf of REIT (Corporate Directors) Limited
Director

The notes on pages 8 to 12 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and, except as indicated below, are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover derives from one class of business and represents gross rents receivable. All turnover derives from activities within the United Kingdom.

Administrative expenses

Group administrative expenses are charged to the company by the parent company in proportion to gross rental income receivable.

Interest

Interest is payable on amounts due to the parent company. The cost to the group is charged to the company in line with established Intra-Group Loan Agreements. All interest is charged to the profit and loss account as accrued.

Compliance with accounting standards

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards except as detailed below:

Statement of Standard Accounting Practice No. 19 ("SSAP 19") requires investment properties to be included in the financial statements at their period end open market value. The directors do not believe the additional information this would provide justifies the cost of the valuation and have therefore included investment properties in the financial statements at the values indicated by the last external valuation performed at 31 December 2003.

Investment properties

Properties held for investment are held at 31 December 2003 valuation. As explained above this is not in compliance with SSAP 19.

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold investment properties. This treatment is a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However these properties are not held for consumption but investment and therefore the directors consider that systematic annual depreciation would be inappropriate. Therefore the accounting policy adopted is necessary for the accounts to give a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified as it is impracticable and, in the opinion of the directors, would be misleading.

1 Accounting policies *(Continued)*

Sales of properties

Sales of investment properties are recognised when contracts are unconditionally exchanged. The surpluses arising on the sale of investment properties, based on the excess of sale proceeds over book value, are included within the profit and loss account. Surpluses resulting from revaluation of property, previously taken to revaluation reserves, are included in the surplus on realisation, and shown as a movement on reserves.

Deferred taxation

Deferred tax is provided in full on timing differences which, at the balance sheet date result in obligation to pay more tax, or a right to pay less tax, at a future date. Such provision is made at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

2 Operating profit

The company had no employees during the current or preceding period.

None of the directors of the company received any emoluments during the current or preceding period in respect of services to the company.

Auditors' remuneration was borne by the parent company to the current and preceding period.

Details of employee costs and auditors' remuneration are shown in the financial statements of the parent company.

3 Taxation on profit on ordinary activities

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Current tax		
UK corporation tax on profits of the period	-	-

3 Taxation on profit on ordinary activities *(Continued)*

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Profit on ordinary activities before tax	**296,625**	132,168
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (31 December 2003 - 30%)	**88,988**	39,650
Effects of:		
Expenses not deductible for tax purposes	**375**	-
Accounting profit on capital sales in excess of taxable profit	**6,984**	-
Group relief received	**(39,240)**	(39,650)
Capital gain transferred to group company	**(57,107)**	-
Current tax charge for period	-	-

In accordance with FRS 19, no provision has been made for deferred tax assets or liabilities arising on the revaluation of investment properties to their market value. Were the investment properties to be sold at year end value, the company would crystallise a net tax liability at 30% of £25,530 (31 December 2003 - £25,530).

4 Tangible assets

	Land and buildings		
	Long leasehold £	Freehold £	Total £
Valuation			
At valuation at 1 January 2004	235,000	1,720,000	1,955,000
Disposals	-	(1,720,000)	(1,720,000)
At 31 March 2005	**235,000**	-	**235,000**

a) The investment properties are charged to secure borrowings of the parent company.

b) The historical cost of investment properties at 31 March 2005 was £355,397 (31 December 2003 - £1,838,792).

c) The investment properties are included at 31 December 2003 valuation.

5 Debtors

	31 March 2005 £	31 December 2003 £
Trade debtors	1,307	9,400
Amounts owed by group undertakings	2,697,276	623,989
	2,698,583	633,389

All amounts shown under debtors fall due for payment within one year

6 Creditors: amounts falling due within one year

	31 March 2005 £	31 December 2003 £
Amounts owed to group undertakings	93,884	51,597
Accruals and deferred income	29,450	37,379
Other creditors	14,193	-
	137,527	88,976

7 Share capital

	Authorised			
	31 March 2005 Number	31 December 2003 Number	31 March 2005 £	31 December 2003 £
Ordinary shares of £1 each	100	100	100	100

	Allotted, called up and fully paid			
	31 March 2005 Number	31 December 2003 Number	31 March 2005 £	31 December 2003 £
Ordinary shares of £1 each	100	100	100	100

8 Revaluation reserve

	£
At 1 January 2004	116,208
Realised on disposal and transferred to profit and loss reserve (note 9)	(236,606)
At 31 March 2005	**(120,398)**

9 Profit and loss account

	£
At 1 January 2004	2,383,123
Profit for the period	296,625
Transfer of realised revaluation reserve (note 8)	236,606
At 31 March 2005	**2,916,354**

10 Related party transactions

The company is taking advantage of the exemption granted by paragraph 3(c) of FRS 8 – Related Party Disclosures not to disclose transactions with group companies which are related parties.

11 Ultimate parent company

The parent company in the UK is Estates & General Limited for which group financial statements are prepared. This is incorporated and registered in England and Wales. The ultimate controlling entity, in the director's opinion is Trafalgar Overseas Limited, a company registered in the British Virgin Islands.

12 Cash flow statement

The company is not presenting a cash flow statement. It has taken advantage of the exemption in FRS 1 as the parent company, Estates & General Limited, has included a consolidated cash flow statement within its own consolidated financial statements.