

OWENGATE KEELE (HOLDINGS)
LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 July 2005



Company Registration No. 3840094

OWENGATE KEELE (HOLDINGS) LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

M McDermott
R Baker
J Fairrie

SECRETARY

Wilmington Trust SP Services (London) Limited

COMPANY NUMBER

3840094 (England and Wales)

REGISTERED OFFICE

Tower 42 (Level 11)
25 Old Broad Street
London
EC2N 1HQ

AUDITORS

Baker Tilly
5th Floor, Exchange House
446 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 2EA

OWENGATE KEELE (HOLDINGS) LIMITED

DIRECTORS' REPORT

The directors submit their report and the group financial statements of Owengate Keele (Holdings) Limited for the year ended 31 July 2005.

PRINCIPAL ACTIVITIES

The principal activity of the group during the period was that of the collection of rental income from student accommodation located on the campus of Keele University.

REVIEW OF THE BUSINESS

The results of the group for the year and the financial position at the year-end are consistent with financial projections prepared on behalf of the company and indications are that this will continue to be so for the period of the lease.

RESULTS AND DIVIDENDS

The group trading loss for the year after taxation was £1,706,792.

The directors do not recommend payment of an ordinary dividend.

DIRECTORS

The following directors have held office since 1 August 2004:

M McDermott
R Baker
J Fairrie

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director or member of their families had any interest in the share capital of the company during the period under review.

CREDITOR PAYMENT POLICY

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, providing that all trading terms and conditions have been complied with.

Trade creditor days based on creditors at 31 July 2005 were 3 days (2004: Nil).

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

CORPORATE GOVERNANCE

The group has claimed exemption from providing disclosures relating to corporate governance as only its debt and none of its equity is listed.

OWENGATE KEELE (HOLDINGS) LIMITED

DIRECTORS' REPORT

GOING CONCERN

The directors confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future. For this reason they have adopted the going concern basis in preparing these accounts.

By order of the board


for **Wilmington Trust SP Services (London) Limited**
.....
Secretary

OWENGATE KEELE (HOLDINGS) LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. 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 requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OWENGATE KEELE (HOLDINGS) LIMITED

We have audited the financial statements on pages 6 to 21.

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' 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 the information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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.

Qualified opinion arising from adopted accounting treatment

The group follows the policy of including investment properties in the balance sheet at cost less depreciation. This is not in accordance with SSAP 19 'Accounting for Investment Properties' which requires that such properties be included at open market value. In the absence of a valuation being made, it is not practical to quantify the effects of the departure.

Except for the failure to account for investment properties in manner described above in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 July 2005 and of the group loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY
Registered Auditor
Chartered Accountants
5th Floor, Exchange House
446 Midsummer Boulevard
Milton Keynes MK9 2EA

16th May 2006

OWENGATE KEELE (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2005

		2005 £	2004 £
	<i>Notes</i>		
TURNOVER	1	7,787,599	7,553,328
Cost of sales		3,101,031	3,025,397
Gross profit		<u>4,686,568</u>	<u>4,527,931</u>
Other operating expenses	2	2,237,992	2,132,977
OPERATING PROFIT		<u>2,448,576</u>	<u>2,394,954</u>
Investment income	3	309,762	236,344
		<u>2,758,338</u>	<u>2,631,298</u>
Interest payable	4	4,796,478	4,784,601
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(2,038,140)</u>	<u>(2,153,303)</u>
Taxation	7	(331,348)	(659,806)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u><u>(1,706,792)</u></u>	<u><u>(1,493,497)</u></u>

The operating loss for the year arises from the group's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

OWENGATE KEELE (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET

31 July 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	8	45,253,401	47,100,477
		<u> </u>	<u> </u>
CURRENT ASSETS			
Debtors	10	1,602,246	1,555,853
Deferred tax asset	10	4,355,675	4,024,327
Cash at bank and in hand		6,407,598	4,066,791
		<u>12,365,519</u>	<u>9,646,971</u>
CREDITORS: Amounts falling due within one period	11	2,962,847	491,224
		<u> </u>	<u> </u>
NET CURRENT ASSETS		9,402,672	9,155,747
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		54,656,073	56,256,224
CREDITORS: Amounts falling due after more than one period	12	(64,085,437)	(63,978,796)
		<u>(9,429,364)</u>	<u>(7,722,572)</u>
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Profit and loss account	15	(9,479,364)	(7,772,572)
		<u> </u>	<u> </u>
SHAREHOLDERS' FUNDS	16	(9,429,364)	(7,722,572)
		<u> </u>	<u> </u>

Approved by the board on 09/05/06

for 
Wilmington Trust SP Services (London) Limited

Director


 Director

OWENGATE KEELE (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

31 July 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Investments	9	50,000	50,000
		<u>50,000</u>	<u>50,000</u>
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Profit and loss account		-	-
SHAREHOLDERS' FUNDS	16	<u>50,000</u>	<u>50,000</u>

Approved by the board on.....09/05/06

for 
Wilmington Trust SP Services (London) Limited

Director


Director

OWENGATE KEELE (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2005

		2005 £	2004 £
	<i>Notes</i>		
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	4,345,535	4,170,142
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		309,762	236,344
Interest paid		(2,314,490)	(4,628,980)
Net cash outflow for returns on investments and servicing of finance		(2,004,728)	(4,392,636)
Net cash inflow/(outflow) before management of liquid resources and financing		2,340,807	(222,494)
INCREASE/(DECREASE) IN CASH IN THE YEAR		2,340,807	(222,494)

OWENGATE KEELE (HOLDINGS) LIMITED

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

The group has adopted the provisions of Financial Reporting Standard No 4, 'Capital Instruments'. Accordingly the direct costs incurred in connection with the issue of capital instruments have been deducted from the proceeds of the issue and the finance costs associated with debt have been allocated to periods at a constant rate based on the carrying amount. The carrying value of the debt in the balance sheet represents the proceeds of the issue less the proportion of finance costs as yet unallocated to the profit and loss account.

BASIS OF CONSOLIDATION

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 July 2005. The results of subsidiaries sold or acquired during the period are included in the profit and loss account up to, and from the date control passes.

GOING CONCERN

The directors have reviewed the financial model prepared for the group. This details the expected performance and funding requirements of the group over the remaining term of the secured bonds, to 2030. The model indicates that over the life of the bonds the group will gradually move towards profitability and reverse the net asset deficit currently shown in the balance sheet.

On the basis of their review, the directors deem it appropriate to prepare the accounts on a going concern basis.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

In the opinion of the directors it is more appropriate to account for the leasehold property in this manner as opposed to as an investment property under the terms of SSAP 19. Although the company can be classified as a specialist investment and as a consequence there would be difficulties in arriving at a meaningful valuation, the audit report has been qualified on the basis of non compliance with SSAP 19.

Thus depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows: -

Land and buildings – Short Term Leasehold	Over 30 years
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DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is measured on a non-discounted basis as, in the opinion of the directors, the cost of gathering necessary information to calculate an appropriate discount rate would outweigh the benefit to the users of the accounts of providing the information.

OWENGATE KEELE (HOLDINGS) LIMITED

ACCOUNTING POLICIES

LEASED ASSETS

The annual rentals on 'operating leases' are charged to the profit and loss account on a straight line basis over the lease term.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and loss before taxation were all derived from its principal activity wholly undertaken in the United Kingdom.

2 OTHER OPERATING EXPENSES (NET)

	2005 £	2004 £
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Administration expenses	2,237,992	2,132,977
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3 INVESTMENT INCOME

	2005 £	2004 £
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Bank interest	309,762	236,344
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4 INTEREST PAYABLE

	2005 £	2004 £
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On loans repayable after 5 years including finance charges allocated to the year	4,796,478	4,784,601
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5 LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
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Loss on ordinary activities before taxation is stated after charging/(crediting):

Depreciation of tangible assets:

Charge for the year		
owned assets	1,847,076	1,847,076

Operating lease rentals:

Land and buildings	3,101,031	3,025,397
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Auditors' remuneration	4,470	4,700
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6 EMPLOYEES

There were no employees during the year other than the directors. The individuals who held office as directors during the year were not remunerated for their services. The amount charged by Wilmington Trust SP Services (London) Limited during the year for the provision of corporate services is disclosed in note 21 below.

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

7	TAXATION	2005 £	2004 £
	Current tax charge	-	-
	Deferred taxation		
	Deferred tax charge / (credit) current year	(331,348)	(659,806)
	Factors affecting tax charge for period:	2005 £	2004 £
	Loss on ordinary activities before tax	(2,038,140)	(2,153,303)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2004: 30%)	(611,442)	(645,991)
	Effects of:		
	Non deductible expenses	1,346,014	1,435,380
	Depreciation	554,123	554,123
	Tax losses utilised	(1,180,473)	(1,175,719)
	Other tax adjustments	(108,222)	(167,793)
		611,442	645,991
	Current tax charge for period	-	-

The group has estimated losses of £13,615,482 (2004: £13,169,233) available for carry forward against future trading profits.

Additionally excess management expenses of £899,435 (2004: £252,103) are available to carry forward

Other tax adjustments include the effect of the annual allowance for the premium paid on the lease.

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

8 TANGIBLE FIXED ASSETS

	Group
	Land & buildings Short Leasehold £
Cost	
1 August 2004 and 31 July 2005	55,412,319
Depreciation	
1 August 2004	8,311,842
Charged in the year	1,847,076
31 July 2005	10,158,918
Net book value	
31 July 2005	45,253,401
31 July 2004	47,100,477

9 FIXED ASSET INVESTMENTS

				Company
				Shares in subsidiary undertakings £
Cost				
1 August 2004 and 31 July 2005				50,000
	Country of Registration	Class of holding	Shares held	Result in year £
Owengate Keele plc	UK	Ordinary	100%	(1,706,792)

The principle activity of Owengate Keele plc is that of the collection of rental income from student accommodation located on the campus of Keele University.

On the basis of the financial model prepared for Owengate Keele plc, the directors consider the investment in this company to be fairly valued.

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

10	DEBTORS	Group 2005 £	Group 2004 £
	Due within one year:		
	Trade debtors	296,884	268,921
	Prepayments and accrued income	1,305,362	1,286,932
		<u>1,602,246</u>	<u>1,555,853</u>
	Deferred tax asset		
		<u>4,355,675</u>	<u>4,024,327</u>
		2005 £	
	Deferred tax		
	Balance as at 1 August 2004	4,024,327	
	Profit and Loss Account	331,348	
	Balance as at 31 July 2005	<u>4,355,675</u>	
		2005 £	2004 £
	Deferred tax is analysed as follows:		
	Tax losses available	<u>4,355,675</u>	<u>4,024,327</u>

A deferred tax asset has been recognised on tax losses arising and available to carry forward against future trading profits. The asset has been recognised following comparison of the tax losses arising against estimated future profits based on projections prepared by the group.

11	CREDITORS: Amounts falling due within one year	Group 2005 £	Group 2004 £
	Debenture loans	60,857	-
	Trade creditors	243,014	-
	Accruals and deferred income	2,658,976	491,224
		<u>2,962,847</u>	<u>491,224</u>
	Debt due in one year or less	<u>60,857</u>	<u>-</u>

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

12	CREDITORS: Amounts falling due in more than one year	Group 2005 £	Group 2004 £
	Debenture loans	64,085,437	63,978,796
	Analysis of debt maturity		
	Amounts payable:		
	In more than one year but not more than two years	191,629	60,857
	In more than two years but not more than five years	1,606,712	191,629
	In more than five years	62,287,096	63,726,310
	Of amounts repayable by instalments, the amount falling due after more than 5 years	62,287,096	63,978,796

The above liability is secured by a charge created between Owengate Keele plc and Citicorp Trustee Company Limited, as trustee for the beneficiaries, in order to secure all obligations which the company may at any time have to the security trustee, on its own account or as trustee to the beneficiaries, or any other beneficiaries, including obligations under the terms of the debenture loan detailed above.

A second charge was also created between Owengate Keele plc, Citicorp Trustee Company Limited and Financial Security Assurance (UK) Limited (FSA), the amount secured being all obligations which the subsidiary may at any time have to Citicorp (whether on its own account or as trustee for the beneficiaries) or any other beneficiaries under or pursuant to finance documents including those relating to the issue of the above bonds, which shall include without limitation any obligations of the company to FSA which may from time to time arise by way of subrogation.

The balance shown above represents guaranteed secured bonds of £69,400,000 on which interest is payable at a fixed rate of 6.67%. The principle is repayable by instalments in accordance with issue documents to commence in January 2006; the final amounts to be repaid in 2030.

13 FINANCIAL INSTRUMENTS

The group's financial instruments at 31 July 2005 comprised guaranteed secured bonds. The main purpose of these financial instruments was to finance the group's acquisition of student accommodation located on the campus of Keele University.

Short-term debtors and creditors have been omitted from the disclosure in this note.

Interest payable on the financial instruments is fixed at a rate of 6.67% thereby limiting the group's exposure to interest rate risk.

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

13 FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk profile

At 31 July 2005

	Total £	Fixed rate £
Sterling	64,146,294	64,146,294

At 31 July 2004

	Total £	Fixed rate £
Sterling	63,978,796	63,978,796

The maturity profile of the financial liabilities is detailed in note 12. The fair value of the group's financial instrument is deemed to be equal to the book value shown in the financial statements.

14 SHARE CAPITAL

	2005 £	2004 £
Authorised:		
49,850 A Ordinary shares of £1 each	49,850	49,850
25 B1 Ordinary shares of £1 each	25	25
25 B2 Ordinary shares of £1 each	25	25
100 C Ordinary shares of £1 each	100	100
	<u>50,000</u>	<u>50,000</u>
Allotted, issued and fully paid:		
49,850 A Ordinary shares of £1 each	49,850	49,850
25 B1 Ordinary shares of £1 each	25	25
25 B2 Ordinary shares of £1 each	25	25
100 C Ordinary shares of £1 each	100	100
	<u>50,000</u>	<u>50,000</u>

With the exception of the rights listed below, the four classes of authorised share capital rank *pari passu* to each other in all respects.

Income

Any income that is distributed by the company will be allocated between the classes of shares on the basis of a non cumulative dividend in the following percentages: 9.5%, 40%, 50.5% to A, B and C Ordinary shareholders respectively with B1 Ordinary and B2 Ordinary shares taken as one class for this purpose.

On winding up

The assets and retained profits of the company available for distribution among the members following the payment of any arrears of dividends and amounts credited as paid up on the relevant shares will be allocated on the basis of the percentages detailed above.

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

14 SHARE CAPITAL *(continued)*

Votes

A Ordinary shares, B1 Ordinary shares and B2 Ordinary shares are classed as non-voting shares and the holders of these classes of shares do not have any entitlement to vote on any matters.

Appointment of directors

Holders of A Ordinary shares, B1 Ordinary shares and B2 Ordinary shares do not have the right to appoint directors of the company at any time.

15	PROFIT AND LOSS ACCOUNT	Group 2005 £
	1 August 2004	(7,772,572)
	Loss for the year	(1,706,792)
	31 July 2005	(9,479,364)

16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
	Loss for the financial year	(1,706,792)	(1,493,497)	-	-
	Opening shareholders' funds	(7,722,572)	(6,229,075)	50,000	50,000
	Closing shareholders' funds	(9,429,364)	(7,722,572)	50,000	50,000

17	CASH FLOWS	2005 £	2004 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	2,448,576	2,394,954
	Depreciation of tangible assets	1,847,076	1,847,076
	Increase in debtors	(46,393)	(120,940)
	Increase in creditors within one year	96,276	49,052
	Net cash flow from operating activities	4,345,535	4,170,142

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

17	CASH FLOWS <i>(continued)</i>			2005 £	2004 £
b	Analysis of net debt	At 1 August 2004 £	Cash flow £	Other non cash changes £	At 31 July 2005 £
	Net cash:				
	Cash at bank and in hand	4,066,791	2,340,807	-	6,407,598
	Debt:				
	Debts falling due within one year	-	-	(60,857)	(60,857)
	Debts falling due after one year	(63,978,796)	-	(106,641)	(64,085,437)
	Net debt	(59,912,005)	2,340,807	(167,498)	(57,738,696)
				2005 £	2004 £
c	Reconciliation of net cash flow movement in net debt				
	Increase/(Decrease) in cash in the period			2,340,807	(222,494)
	Release of finance costs for the year			(167,498)	(155,621)
	Movement in net debt in the period			2,173,309	(378,115)
	Opening net debt			(59,912,005)	(59,533,890)
	Closing net debt			(57,738,696)	(59,912,005)
18	COMMITMENTS UNDER OPERATING LEASES				
	At 31 July 2005, the group had annual commitments under non-cancellable operating leases as follows:				
				2005 £	2004 £
	Land and buildings				
	Expiring after five years			3,135,926	3,059,440
19	CONTROL				
	In accordance with the rights attached to the classes of authorised share capital as detailed in note 14 above, the company is controlled by the holder of the issued C Ordinary share capital, Wilmington Trust SP Services (London) Limited which holds the shares on trust for the benefit of Millslade Charitable Trust.				

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

20 CONTINGENT LIABILITIES

The principal activity of Owengate Keele (Holdings) Limited is to act as holding company to Owengate Keele plc and as such the company has given the following guarantees on behalf of Owengate Keele plc:

The company irrevocably and unconditionally guarantees to the Security Trustee as trustee for the beneficiaries the due and punctual observance and performance of all the terms, conditions and covenants on the part of Owengate Keele plc contained in the finance documents (including without limitation, the obligations of Owengate Keele plc in respect of the bonds, and the Insurance and Indemnity agreement).

The company has irrevocably and unconditionally guaranteed to pay on demand to each beneficiary of the bond agreement as defined under the terms of a composite debenture dated 7 February 2000 any sums which are required to indemnify the beneficiary from and against any loss incurred by the beneficiary as a result of any of the obligations of Owengate Keele plc contained in the bond documents and related agreements becoming or being void, voidable, unenforceable or ineffective as against Owengate Keele plc, for any reason whatsoever, whether or not known to the beneficiaries or any of them or any other person, the amount of such loss being the amount which the person or persons suffering it would otherwise have been entitled to recover from Owengate Keele plc.

In order to meet these obligations the company has registered a debenture in favour of the beneficiaries. The property to be charged by way of a first fixed charge is recorded as all of the company's right, title and interest to the Real Property, all the Tangible Moveable Property, the Insurances, the Charged Accounts, the Intellectual Property, any goodwill and rights in relation to the uncalled capital of the company, the Investments, the Owengate Shares and all other related assets and all Monetary Claims. The asset categories are subject to the definitions contained in a composite debenture dated 7 February 2000 between the company, Owengate Keele plc and the trustee for the beneficiaries.

The company has also charged with full title guarantee in favour of the Security Trustee as trustee for the beneficiaries as security for the payment and discharge of the secured obligations by way of a first floating charge the whole of its undertaking and assets present and future, other than any assets validly and effectively charged by way of fixed security or assigned under the laws of England and Wales, or of the jurisdiction in which that asset is situated.

21 RELATED PARTY DISCLOSURES

Owengate Structured Finance Limited has entered into an agreement with Owengate Keele (Holdings) Limited to provide management services to the company. Mr D Pinnock who is a shareholder of Owengate Keele (Holdings) Limited controls Owengate Structured Finance Limited. Under the terms of the agreement an annual fee is payable for these services, the payment to be made wholly by Owengate Keele plc which is also a party to the agreement.

The agreement detailed above was drawn up on an arms length basis and at full market value.

During the year £19,798 (2004: £19,339) was paid to Wilmington Trust SP Services (London) Limited for corporate services. Wilmington Trust SP Services (London) Limited is a director of Owengate Keele plc and Mr M McDermott, Mr J Fairrie and Mr R Baker are directors of Wilmington Trust SP Services (London) Limited.

All transactions were made on an arms length basis and at full market value.

OWENGATE KEELE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

22 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s230 Companies Act 1985, the company has not presented its own profit and loss account. The company did not trade during the year and consequently has no results for the year.