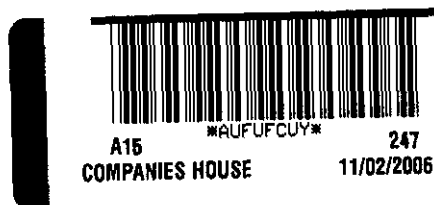


OWENGATE KEELE PLC

FINANCIAL STATEMENTS

for the year ended

31 July 2005



OWENGATE KEELE PLC

DIRECTORS AND OFFICERS

DIRECTORS

Wilmington Trust SP Services (London) Limited
M McDermott
R Baker
J Fairrie

SECRETARY

Wilmington Trust SP Services (London) Limited

COMPANY NUMBER

3840096 (England and Wales)

REGISTERED OFFICE

Tower 42 (Level 11)
London
EC2N 1HQ

AUDITORS

Keen Shay Keens - Milton Keynes
Sovereign Court
Central Milton Keynes
Buckinghamshire
MK9 2HR

BANKERS

Citibank, N.A.
Citibank House
336 Strand
London
WC2R 1HB

OWENGATE KEELE PLC

DIRECTORS' REPORT

The directors submit their report and financial statements of Owengate Keele plc for the year ended 31 July 2005.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The results 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 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:

Wilmington Trust SP Services (London) Limited
M McDermott
R Baker
J Fairrie

On 19 December 2005 SPV Management Limited changed its name to Wilmington Trust SP Services (London) Limited

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the company, including family interests, were as follows:

	<i>Ordinary of £ 1 each</i>	
	31.7.05	1.8.04
Wilmington Trust SP Services (London) Limited	1	1
M McDermott	-	-
R Baker	-	-
J Fairrie	-	-

The share held by Wilmington Trust SP Services (London) Limited represents a non-beneficial holding.

CREDITOR PAYMENT POLICY

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

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

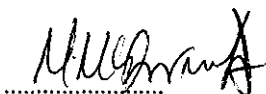
OWENGATE KEELE PLC

DIRECTORS' REPORT (CONTINUED)

AUDITORS

A resolution to reappoint Keen Shay Keens - Milton Keynes, Chartered Accountants will be put to the members at the annual general meeting.

On behalf of the board

A handwritten signature in dark ink, appearing to be 'M. Keen', written over a dotted line.

31/01/06

OWENGATE KEELE PLC

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OWENGATE KEELE PLC

We have audited the financial statements on pages 6 to 17.

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 on page 4 the company's directors are responsible for the preparation of financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, 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. 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 supplied by law or the Listing rules regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

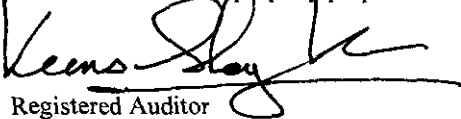
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 company 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 practicable to quantify the effects of the departure.

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



Registered Auditor
Chartered Accountants
Central Milton Keynes
Buckinghamshire
MK9 2HR

3 FEBRUARY 2006

OWENGATE KEELE PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2005

	<i>Notes</i>	2005 £	2004 £
TURNOVER	1	7,787,599	7,553,328
Cost of sales		3,101,031	3,025,397
Gross profit		4,686,568	4,527,931
Other operating expenses	2	2,237,992	2,132,977
OPERATING PROFIT		2,448,576	2,394,954
Investment income	3	309,762	236,344
		2,758,338	2,631,298
Interest payable	4	4,796,478	4,784,601
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(2,038,140)	(2,153,303)
Taxation	7	(331,348)	(659,806)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	14	(1,706,792)	(1,493,497)

The operating profit for the year arises from the company'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 PLC

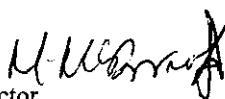
BALANCE SHEET

31 July 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	8	<u>45,253,401</u>	<u>47,100,477</u>
CURRENT ASSETS			
Debtors	9	1,602,246	1,555,853
Deferred tax asset	9	4,355,675	4,024,327
Cash at bank and in hand		<u>6,407,598</u>	<u>4,066,791</u>
		12,365,519	9,646,971
CREDITORS: Amounts falling due within one year	10	<u>2,962,847</u>	<u>491,224</u>
NET CURRENT ASSETS		<u>9,402,672</u>	<u>9,155,747</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		54,656,073	56,256,224
CREDITORS: Amounts falling due after more than one year	11	(64,085,437)	(63,978,796)
		<u>(9,429,364)</u>	<u>(7,722,572)</u>
CAPITAL AND RESERVES			
Called up share capital	13	50,000	50,000
Profit and loss account	14	<u>(9,479,364)</u>	<u>(7,772,572)</u>
SHAREHOLDERS' FUNDS	15	<u>(9,429,364)</u>	<u>(7,722,572)</u>

Approved by the board on 31/1/06

Director



OWENGATE KEELE PLC

CASH FLOW STATEMENT

for the year ended 31 July 2005

	<i>Notes</i>	2005 £	2004 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	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)
FINANCING			
Net cash inflow from financing		-	-
INCREASE/(DECREASE) IN CASH IN THE YEAR		2,340,807	(222,494)

OWENGATE KEELE PLC

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The company 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 the finance costs as yet unallocated to the profit and loss account.

GOING CONCERN

The directors have reviewed the financial model prepared for the company. This details the expected performance and funding requirements of the company over the remaining term of the secured bonds, to 2030. The model indicates that over the life of the bonds the company 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 (leasehold property) 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 property 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 SSAP19.

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
---	---------------

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 company'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 the necessary information to calculate an appropriate discount rate would outweigh the benefit to the users of the accounts of providing the information.

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 PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

1. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

2. OTHER OPERATING EXPENSES

2005	2004
£	£

Administrative expenses

2,237,992	2,132,977
<u>2,237,992</u>	<u>2,132,977</u>

3. INVESTMENT INCOME

2005	2004
£	£

Bank interest

309,762	236,344
<u>309,762</u>	<u>236,344</u>

4. INTEREST PAYABLE

2005	2004
£	£

On loans repayable after 5 years including finance charges allocated to the year

4,796,478	4,784,601
<u>4,796,478</u>	<u>4,784,601</u>

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

2005	2004
£	£

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
-----------	-----------

Auditors' remuneration

4,470	4,700
<u>4,470</u>	<u>4,700</u>

6. EMPLOYEES

There were no employees during the year apart from 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 19 below.

OWENGATE KEELE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2005

7. TAXATION	2005	2004
	£	£
Current tax charge	-	-
Deferred tax		
Deferred tax charge/credit current year	<u>(331,348)</u>	<u>(659,806)</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(2,038,140)</u>	<u>(2,153,303)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>(611,442)</u>	<u>(645,991)</u>
Effects of:		
Non deductible expenses	1,346,014	1,435,380
Capital allowances in excess of depreciation	554,123	554,123
Tax losses utilised	(1,180,473)	(1,175,719)
Other tax adjustments	<u>(108,222)</u>	<u>(167,793)</u>
	<u>611,442</u>	<u>645,991</u>
Current tax charge	<u>-</u>	<u>-</u>

The company 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 includes the effect of the annual allowance for the premium paid on the lease.

OWENGATE KEELE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 July 2005

8. TANGIBLE FIXED ASSETS

	<i>Land and Buildings - Short Term Leasehold £</i>
Cost	
1 August 2004 and 31 July 2005	55,412,319
	<hr/>
Depreciation	
1 August 2004	8,311,842
Charge in the year	1,847,076
	<hr/>
31 July 2005	10,158,918
	<hr/>
Net book value	
31 July 2005	45,253,401
	<hr/>
31 July 2004	47,100,477
	<hr/>

OWENGATE KEELE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2005

9. DEBTORS	2005 £	2004 £
Trade debtors	296,884	268,921
Prepayments and accrued income	1,305,362	1,286,932
Deferred tax asset	4,355,675	4,024,327
	<u>5,957,921</u>	<u>5,580,180</u>

Amounts falling due after more than one year and included in the debtors above are:

	2005 £	2004 £
Deferred tax asset	<u>4,355,675</u>	<u>4,024,327</u>

Deferred tax

	2005 £	2004 £
Balance at 1 August 2004	4,024,327	
Profit and loss account	331,348	
	<u>4,355,675</u>	
Balance at 31 July 2005	<u>4,355,675</u>	

	2005 £	2004 £
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 company.

10. CREDITORS: Amounts falling due within one year	2005 £	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 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2005

11. CREDITORS: Amounts falling due in more than one year	2005 £	2004 £
Debenture loans	64,085,437	63,978,796
Not wholly repayable within five years by instalments:		
Debenture loans	64,146,294	63,978,796
Instalments not due within five years	62,287,096	63,726,310
Loan maturity analysis:		
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

The above liability is secured by a charge created between the company 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 trustees to the beneficiaries, or any other beneficiaries, including obligations under terms of the debenture loan detailed above.

A second charge was created between the company, Citicorp Trustee Company Limited, and Financial Security Assurance (UK) Limited, (FSA), the amount secured being all obligations which the company 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 principal is repayable by instalments in accordance with issue documents to commence in January 2006; the final amounts to be repaid in 2030.

12. FINANCIAL INSTRUMENTS

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

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

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

Interest rate risk profile

At 31 July 2005	Total £	Fixed rate £
Sterling	64,146,294	64,146,294

The maturity of the financial liabilities is detailed in note 11 above.

The fair value of the company's financial instrument is deemed to be equal to the book value shown in the financial statements.

OWENGATE KEELE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 July 2005

13. SHARE CAPITAL	2005 £	2004 £
Authorised:		
50,000 Ordinary of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, issued and fully paid:		
50,000 Ordinary of £1 each	<u>50,000</u>	<u>50,000</u>

14. STATEMENT OF MOVEMENT ON RESERVES

	<i>Profit and loss account</i> £
1 August 2004	(7,772,572)
Retained loss for the year	<u>(1,706,792)</u>
31 July 2005	<u>(9,479,364)</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2005 £	2004 £
Loss for the financial year	(1,706,792)	(1,493,497)
Opening shareholders' funds	<u>(7,722,572)</u>	<u>(6,229,075)</u>
Closing shareholders' funds	<u>(9,429,364)</u>	<u>(7,722,572)</u>

OWENGATE KEELE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 July 2005

16. 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
			<u> </u>	<u> </u>
Net cash inflow from operating activities			4,345,535	4,170,142
			<u> </u>	<u> </u>
b. Analysis of net debt	1 August 2004	Cash flow	Other non-cash changes	31 July 2005
	£	£	£	£
Net cash:				
Cash at bank and in hand	4,066,791	2,340,807	-	6,407,598
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bank deposits	-	-	-	-
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)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(63,978,796)	-	(167,498)	(64,146,294)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net debt	(59,912,005)	2,340,807	(167,498)	(57,738,696)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
c. Reconciliation of net cash flow to movement in net debt			2005	2004
			£	£
Increase/(decrease) in cash in the year			2,340,807	(222,494)
Release of finance costs			(167,498)	(155,621)
			<u> </u>	<u> </u>
Movement in net debt in the year			2,173,309	(378,115)
Opening net debt			(59,912,005)	(59,533,890)
			<u> </u>	<u> </u>
Closing net debt			(57,738,696)	(59,912,005)

17. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005	2004
	£	£
Land and buildings expiring after five years	<u>3,135,926</u>	<u>3,059,440</u>

OWENGATE KEELE PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2005

18. CONTROL

The parent company is Owengate Keele (Holdings) Limited. Copies of the consolidated accounts can be obtained from Companies House, Cardiff.

Operational control is deemed to be held by Financial Security Assurance (UK) Limited, a company registered in England and Wales.

The ultimate controlling party is the Millslade Charitable Trust. The 'C' Ordinary share capital of the parent company, Owengate Keele (Holdings) Limited is held by Wilmington Trust SP Services (London) Limited, on trust for the benefit of the Millslade Charitable Trust, and these shares have specific rights attached, which would define the Trust as having ultimate control.

19. RELATED PARTY TRANSACTIONS

During the year £19,798 (2004:£19,339) was charged by 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 all directors of Wilmington Trust SP Services (London) Limited.

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