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MSREF (U.K.) LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006

Company number 03997883

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MSREF (U.K.) LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31st December 2006.

INCORPORATION

MSREF (U K) Limited (the 'Company') is incorporated in England and Wales.

ACTIVITY

The principal activity of the Company is the holding of investments. However, the Company has only incurred administration fees during the current year.

There was a significant change in the business during the year, the company no longer holds 1 Golden Share in CIT Property Services Limited. The rights of this share are explained in note 2 of the financial statements.

The Directors expect the general level of activity in the Company to remain the same for the forthcoming year.

RESULTS AND DIVIDENDS

The profit for the year amounted to £ 1,041 (2005 loss £ 2,597).

The Directors are unable to recommend a dividend for the year (2005 £ nil).

DIRECTORS

The Directors who held office during the year and subsequently were:-

R.R W Falls

N M Kessell (Resigned 1 February 2007)


A J Cooper

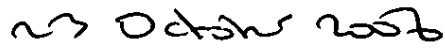
M Overwater (Appointed 1 February 2007)

REGISTERED OFFICE

8th Floor
68 King William Street
London EC4N 7DZ

BY ORDER OF THE BOARD


Authorised signatory
Mourant & Co. Secretaries Limited
Secretary

Date: 

MSREF (U.K.) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable Jersey law and generally accepted accounting principles.

Jersey 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 these financial statements, the directors should:

- * select suitable accounting policies and then apply them consistently,
- * make judgements and estimates that are reasonable and prudent;
- * 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Law. 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.

MSREF (U.K.) LIMITED**BALANCE SHEET****AS AT 31ST DECEMBER 2006**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		£	£
FIXED ASSETS			
Investment	2	-	1
CURRENT ASSETS			
Debtors	3	61	-
Cash		3	914
		64	914
CREDITORS: (Amounts falling due within one year)			
Shareholders' loans payable	3	(6,498)	(6,498)
Loan payable	4	(7,021)	-
Other creditors	4	(604)	(9,517)
		(14,123)	16,015
NET CURRENT LIABILITIES		(14,059)	(15,101)
TOTAL NET LIABILITIES		(14,059)	(15,100)
CAPITAL AND RESERVES			
Share capital	7	3	3
Profit and loss account		(14,062)	(15,103)
EQUITY SHAREHOLDERS' DEFICIT	11	(14,059)	(15,100)

AUDIT EXEMPTION

- (a) For the year ended 31st December 2006 the Company was entitled to exemption under s 249A(1) of the Companies Act
- (b) No notice has been deposited under s 249B(2) of the Companies Act 1985 requiring audited financial statements to be
- (c) The directors recognise their responsibilities for
- (i) ensuring the Company maintains accounting records in accordance with s 221 of the Companies Act 1985, and
- (ii) preparing financial statements which give a true and fair view of the state of the Company's affairs at the end of the financial year and of any profit or loss in accordance with s 226 of the Companies Act 1985 and otherwise comply with the provisions of the Companies Act 1985 as they relate to financial statements
- (d) Advantage has been taken of the exemptions conferred by Section A of Sch 8 of the Companies Act 1985
- (e) In the opinion of the directors, the Company is entitled to those exemptions on the basis that it qualifies as a small Company
- ii) Preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of its financial year, and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to financial statements, so far as applicable to the company
- The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board of Directors on the 23 day of October 2007 and were signed on its behalf by:

Director: 

(The notes on pages 5 to 9 form part of these unaudited financial statements)

MSREF (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31ST DECEMBER 2006**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		£	£
EXPENDITURE:			
Administration fees - Mourant & Co		1,750	1,750
Professional fees		588	529
Audit fees		(3,640)	-
Annual filing fee		30	30
Sundry expenses		247	333
		<hr/>	<hr/>
		1,025	(2,642)
Deposit interest receivable		<hr/> 16	<hr/> 45
PROFIT / (LOSS) FOR THE YEAR BEFORE TAXATION		<hr/> 1,041	<hr/> (2,597)
Taxation	7	<hr/> -	<hr/> -
LOSS FOR THE YEAR AFTER TAXATION	9	<hr/> <hr/> 1,041	<hr/> <hr/> (2,597)

Continuing operations

All items dealt with in arriving at the loss for the year ended 31st December 2006 and the loss for the year ended 31st December 2005 relate to continuing operations

Recognised gains and losses

There are no recognised gains and losses other than the profit attributable to shareholders of the Company of £ 1,041 for the year ended 31st December 2006 and the loss of £ 2,597 for the year ended 31st December 2005

(The notes on pages 5 to 9 form part of these unaudited financial statements)

MSREF (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2006

1. ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The more significant accounting policies used are set out

Going concern

As at 31st December 2006 the Company's balance sheet shows net liabilities of £ 14,059 (2005 £ 15,100). Included in this total are loans from the shareholders of £ 6,498 (2005 £ 6,498), and loans from related entities of £ 7,021 (2005 £ nil) who have indicated that they will not seek repayment if such repayment would jeopardize the financial position of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

Income and Expenses

Income and expenses are recognised on an accruals basis.

Investments

Investments are being held for the long term and are accordingly stated at cost, but written down to their realisable value if, in the Directors' opinion, there has been a permanent diminution in their value.

Deposit interest

Deposit interest is recognised on an accruals basis.

Statement of cash flows

A cash flow statement has not been included in these financial statements as the Company qualifies for exemption as a small company under the terms of Financial Reporting Standard No 1 (Revised) "Cash Flow".

2. INVESTMENT

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Unquoted:		
CIT Property Services Limited		
1 golden share of £1 each, at cost	-	1

The Golden Share represents a 'B' share in CIT Property Services Limited, a company incorporated in England and Wales, the principal activity of which is property investment holding. This Share entitles the Company to appoint two directors in CIT Property Services who are able to attend and speak at meetings, but cannot vote on any matter. The Company does not receive any share of the profits or any return of capital on liquidation.

MSREF (U.K.) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2006****3. SHAREHOLDERS' LOANS PAYABLE**

	<u>2006</u>	<u>2005</u>
	£	£
MSREF IV International - T, L.P.	2,166	2,166
MSREF IV International - TE, L P.	2,166	2,166
MSREF IV Special International - L P	2,166	2,166
	<u>6,498</u>	<u>6,498</u>

The loans are unsecured, interest free and repayable on demand

4. LOAN PAYABLE

	<u>2006</u>	<u>2005</u>
	£	£
MSREF Jersey	1,703	-
MSREF Welbeck Limited	5,318	-
	<u>7,021</u>	<u>-</u>

The loans are unsecured, interest free and repayable on demand

5. OTHER CREDITORS

	<u>2006</u>	<u>2005</u>
	£	£
Audit fees	-	7,000
Administration fees - Maurant & Co	-	1,958
Annual filing fee	15	30
Professional fees	588	529
	<u>603</u>	<u>9,517</u>

6. DEBTORS

	<u>2006</u>	<u>2005</u>
	£	£
CIT Property Services Limited	1	-
Sundry - cancelled cheque	30	-
MSREF (Welbeck Street UK) Limited	30	-
	<u>61</u>	<u>-</u>

MSREF (U.K.) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2006****7. SHARE CAPITAL**

	<u>2006</u>	<u>2005</u>
	£	£
AUTHORISED		
100 ordinary shares of £1 each	100	100
ISSUED AND FULLY PAID		
3 ordinary shares of £1 each	3	3

8. TAXATION

The Company is tax resident in England and therefore is subject to UK corporation tax

9. TAXATION - (CONTINUED)

Tax on ordinary activities	<u>2006</u>	<u>2005</u>
(a) Analysis of charge in year		
Current Tax	£	£
UK corporation tax on profit / (loss) for the year	-	-
Total current tax (note 9(b))	-	-
(b) Factors affecting tax charge for year		
Profit / (Loss) on ordinary activities before tax	1,041	(2,597)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	312	(775)
Effect of Unrecognised deferred tax asset	-	775
Adjustment for tax carried forward from previous year	(312)	-
Current tax charge for period (note 9(a))	-	-

MSREF (U.K.) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2006****10. DEFERRED TAX**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, 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.

**11. RECONCILIATION OF MOVEMENTS
IN EQUITY SHAREHOLDERS' DEFICIT**

	Share Capital	Profit & Loss Account	Total Shareholders' Deficit
As at 1st January 2005	3	(12,506)	(12,509)
Loss for the year	-	(2,597)	(2,597)
As at 31st December 2005	3	(15,103)	(15,100)
Profit for the year	-	1,041	1,041
As at 31st December 2006	3	(14,062)	(14,059)

12. DIRECTORS' REMUNERATION, INTERESTS AND TRANSACTIONS

The Directors are not remunerated by the Company. There are no directors' interests or transactions with the Company requiring disclosure under Financial Reporting Standards No 8 "Related Party Disclosures".

13. EMPLOYEE DISCLOSURES

The average number of employees employed by the Company during the year was nil (2005: nil).

14. CONTROLLING PARTY

The immediate controlling party is MSREF IV International - T, L P, which is a limited partnership formed in Delaware. The ultimate controlling party is an entity within the Morgan Stanley group.