

Company Registration No. 04216938

**LAGONDA SELSDON PROPCO LIMITED
(FORMERLY VENICE SELSDON PROPCO
LIMITED)**

Report and Financial Statements

Period ended 31 December 2007

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**LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON
PROPCO LIMITED)**

REPORT AND FINANCIAL STATEMENTS 2007

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**LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON
PROPCO LIMITED)**

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J R Elton
M L Tagliaferri

COMPANY SECRETARY

AAIM Secretarial Services Ltd

REGISTERED OFFICE

100 Piccadilly
London
W1J 7NH

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 54 week period ended 31 December 2007. This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is property investment.

During the period, the company changed its accounting reference date to 31 December. The company changed its name on 31 January 2007 to Lagonda Selsdon Propco Limited.

On 19 December 2006, 100% of the ordinary share capital of an intermediate parent company, Venice Newco A Limited, was acquired by AAIM Lagonda Purchaser Limited, a company incorporated in England and Wales. At this date, the ultimate controlling party became AAIM Venice Master Unit Trust, a unit trust established in Jersey.

The profit for the 54 week period was £804,172 (14 week ended 18 December 2006: loss of £284,194) and this was transferred to/(from) reserves. The directors do not recommend payment of a dividend (14 week ended 18 December 2006: £nil).

The directors do not anticipate any material change in either the type or level of activities of the Company.

KEY PERFORMANCE INDICATORS

The main commercial factors are the financial strength of the tenant and overall property market; the business is monitored against forecast and predictions of the tenant based on the market structure at which the business plans have been drawn. This is monitored quarterly.

DIRECTORS

The present directors, who have served throughout the period except where noted below, are listed on Page 1.

From 18 December 2006 to date, the following changes have taken place:

Directors	Appointed	Resigned
R D Whitton	10 July 2007	29 May 2008
M L Tagliaferri	10 July 2007	
J R Elton	19 December 2006	
A Troy	8 September 2006	19 December 2006
G S Hunter	8 September 2006	19 December 2006

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

DISCLOSURE OF RELEVANT INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

Approved by the Board of Directors
and signed on behalf of the Board

J R Elton
Director

31/12/2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAGONDA PALACE PROPCO LIMITED (FORMERLY VENICE PALACE PROPCO LIMITED)

We have audited the financial statements of Lagonda Palace Propco Limited (formerly Venice Palace Propco Limited) for the 54 week period ended 31 December 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under 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 auditors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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.

Basis of audit opinion

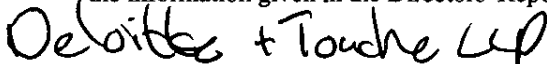
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Leeds

31 October 2008

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

PROFIT AND LOSS ACCOUNT

For the 54 week period ended 31 December 2007

	Note	54 weeks ended 31 Dec 2007 £	14 weeks ended 18 Dec 2006 £
Turnover	3	2,383,720	614,083
Administrative expenses	4	(30)	-
Operating profit	5	2,383,690	614,083
Interest payable and similar charges	6	(2,512,474)	(921,920)
PROFIT/(LOSS) BEFORE TAX		(128,784)	(307,837)
Taxation	7	932,956	23,643
PROFIT/(LOSS) FOR THE PERIOD	13	804,172	(284,194)

All activities relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 54 week period ended 31 December 2007

	Note	54 weeks ended 31 Dec 2007 £	14 weeks ended 18 Dec 2006 £
Profit/(Loss) for the period		804,172	(284,194)
Unrealised loss on revaluation of investment properties	8	(1,921,547)	-
TOTAL RECOGNISED (LOSSES) FOR THE PERIOD		(1,117,375)	(284,194)

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

BALANCE SHEET
As at 31 December 2007

	Note	31 Dec 2007 £	18 December 2006 £
FIXED ASSETS			
Investment property	8	38,000,000	39,921,547
CURRENT ASSETS			
Debtors	9	44,258	29,443
Cash at bank and in hand		-	-
		44,258	29,443
CREDITORS: Amounts falling due within one year	10	(36,986,822)	(37,343,234)
NET CURRENT LIABILITIES		(36,942,564)	(37,313,791)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,057,436	2,607,756
PROVISIONS FOR LIABILITIES	11	(284,412)	(1,217,357)
NET ASSETS		773,024	1,390,399
CAPITAL AND RESERVES			
Called up share capital	12	3,200,001	2,700,001
Revaluation reserve	13	(395,377)	1,526,170
Profit and loss account	13	(2,031,600)	(2,835,772)
EQUITY SHAREHOLDERS' FUNDS		773,024	1,390,399

These financial statements were approved by the Board of Directors on 31/12/2008

Signed on behalf of the Board of Directors

J R Elton

Director

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

NOTES TO THE FINANCIAL STATEMENTS **For the period ended 31 December 2007**

1. GENERAL

Lagonda Selsdon Propco Limited is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

2. ACCOUNTING POLICIES

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets, in compliance with the Companies Act 1985. Compliance with SSAP19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act relating to depreciation. An explanation of the departure is given below.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date. In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity. Deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet 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 the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries, associates and joint ventures where there is no commitment to remit these earnings. Deferred tax assets and liabilities are not discounted.

Cashflow statement

The company has not prepared a cashflow statement because it is exempt from doing so under Financial Reporting Standard 1 'Cash flow statements (revised 1996)', as it meets the small companies criteria.

Revenue recognition

Rental income, excluding charges for services such as insurance and maintenance, is recognised on a straight-line basis over the lease term even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

3. REVENUE

Revenue relates to rental income from investment property and arose in the United Kingdom

4. ADMINISTRATIVE EXPENSES

	54 weeks ended 31 Dec 2007 £	14 weeks ended 18 Dec 2006 £
Legal and professional fees	<u>30</u>	<u>-</u>

5. OPERATING PROFIT

The auditors' remuneration of £4,000 (18 December 2006 £4,000) is borne by another group company in the current period and prior period

The directors received no emoluments from the company during the current period (18 December 2006 £nil)

The only employees of the company are the directors

6. INTEREST PAYABLE AND SIMILAR CHARGES

	54 weeks ended 31 Dec 2007 £	14 weeks ended 18 Dec 2006 £
Intercompany interest payable	<u>2,512,474</u>	<u>921,920</u>

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2007

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	54 weeks ended 31 Dec 2007 £	14 weeks ended 18 Dec 2006 £
Current tax		
Current period	-	-
Adjustments in respect of prior period	-	-
Current tax credit for the period	-	-
Deferred taxation		
Timing differences, origination and reversal	862,922	22,317
Adjustments in respect of prior periods	70,034	1,326
Tax credit	932,956	23,643

The actual tax charge/(credit) differs from the expected tax charge/(credit) computed by applying the standard UK corporation tax rate of 30% (18 December 2006 30%) as follows

	54 weeks ended 31 Dec 2007 £	14 weeks ended 18 Dec 2006 £
Expected tax charge/(credit)	(38,635)	(92,351)
Non-deductible items	-	-
Tax losses carried forward	-	60,000
Tax losses arising in the period	251,325	-
Group relief surrendered for nil consideration	-	70,034
Capital allowances in excess of depreciation	(212,690)	(37,683)
Adjustments in respect of prior periods	-	-
Actual tax charge/(credit)	-	-

8. INVESTMENT PROPERTIES

	31 Dec 2007 £	18 Dec 2006 £
Freehold properties		
At the beginning of the period	39,921,547	41,608,974
Revaluations	(1,921,547)	-
Disposals	-	(1,687,427)
At the end of the period	38,000,000	39,921,547

The directors confirm the value of the properties shown in the accounts approximates to the open market value of the properties at the balance sheet date

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

9 DEBTORS

	31 Dec 2007 £	18 Dec 2006 £
Other debtors	<u>44,528</u>	<u>29,443</u>

10. CREDITORS: Amounts falling due within one year

	31 Dec 2007 £	18 Dec 2006 £
Bank overdraft	-	285,004
VAT	103,335	442,123
Accruals and deferred income	545,066	37,394
Other creditors	44,259	-
Amounts owed to group undertakings	<u>36,294,173</u>	<u>36,578,713</u>
	<u>36,983,833</u>	<u>37,343,234</u>

11. PROVISIONS FOR LIABILITIES

Provision for deferred tax has been made up as follows

	Deferred Tax £	Total £
At 19 December 2006	1,217,357	1,217,357
Profit and loss account credit	<u>(932,956)</u>	<u>(831,289)</u>
At 31 December 2007	<u>284,401</u>	<u>386,068</u>

Analysis of deferred tax balance:

	31 Dec 2007 £	18 Dec 2006 £
Capital allowances in excess of depreciation	636,341	1,277,357
Tax losses	<u>(351,940)</u>	<u>(60,000)</u>
Provision for deferred tax	<u>284,401</u>	<u>1,217,357</u>

LAGONDA SELSDON PROPCO LIMITED (FORMERLY VENICE SELSDON PROPCO LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

12. CALLED UP SHARE CAPITAL

	31 Dec 2007 £	18 Dec 2006 £
Authorised		
Ordinary shares of £1 each	50,000,000	3,000,000
Issued and fully paid		
Ordinary shares of £1 each	3,200,001	2,700,001

The company has one class of shares which carry no right to fixed income. During the period, the company increased the authorised share capital to 50,000,000 Ordinary shares of £1 each and issued 500,000 Ordinary shares of £1 each at par.

13. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

	Issued share capital £	Revaluation Reserve £	Profit and loss account £	Total £
At 19 December 2006	2,700,001	1,526,170	(2,835,772)	1,390,399
Issue of share capital	500,000	-	-	500,000
Revaluation	-	(1,921,547)	-	(1,921,547)
Retained profit	-	-	804,172	804,172
At 31 December 2007	3,200,001	(395,377)	(2,031,600)	773,024

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in FRS8 not to disclose details of related party transactions with other group companies as it is a wholly owned subsidiary of AAIM Lagonda Purchaser Limited.

15. ULTIMATE PARENT COMPANY

At the balance sheet date, the company's immediate parent company is Lagonda Bidco A Limited. The company's ultimate holding company and the parent of the smallest and largest group into which the company is consolidated is AAIM Lagonda Purchaser Limited, a company incorporated in Great Britain. The company's ultimate controlling party is AAIM Venice Master Unit Trust, a unit trust established in Jersey.

16. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events between the period end and the date of approval of the accounts which would require a change or additional disclosure in the accounts.