

PRECIS (2164) LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2005

Company number: 04334325

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PRECIS (2164) LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the unaudited financial statements for the year ended 31st December 2005.

INCORPORATION

Precis (2164) Limited (the 'Company') is incorporated in England.

ACTIVITY

The principal activity of the Company is the holding of investments. However the Company is yet to purchase any investment.

BUSINESS REVIEW

There was no significant change in the business during the year. 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 £ 12,026 (2004: £ 1,945).

The Directors do not recommend a dividend for the year (2004: £ Nil).

DIRECTORS

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

F. P. Garnier (resigned 8th September 2005)
P. Schaefer
A. J. Cooper

REGISTERED OFFICE

8th Floor
68 King William Street
London EC4N 7DZ

BY ORDER OF THE BOARD



Authorised signatory
Mourant & Co. Secretaries Limited
Secretary

Date: 10 October 2006

PRECIS (2164) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company Law requires the Directors to prepare financial statements which shall be in accordance with generally accepted accounting practice and show a true and fair view of the profit or loss of the Company for the year and of the state of the Company's affairs at the end of the year.

In preparing the 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; and
- * prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Company's transactions and are such as to 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, errors and other irregularities.

PRECIS (2164) LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		£	£
Cash at bank		483,363	476,482
CREDITORS: (Amounts falling due within one year)			
Other creditors	3	(7,455)	(12,600)
NET CURRENT ASSETS		475,908	463,882
TOTAL ASSETS LESS CURRENT LIABILITIES		475,908	463,882
CREDITORS: (Amounts falling due after more than one year)			
Shareholder's loan payable	2	(439,982)	(439,982)
TOTAL NET ASSETS		35,926	23,900
CAPITAL AND RESERVES			
Share capital	5	2	2
Profit and loss account		35,924	23,898
EQUITY SHAREHOLDER'S FUNDS	8	35,926	23,900

AUDIT EXEMPTION

- (a) For the year ended 31st December 2005 the Company was entitled to exemption under s.249A(1) of the Companies Act 1985.
- (b) No notice has been deposited under s.249B(2) of the Companies Act 1985 requiring audited financial statements to be prepared.
- (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 10th day of Oct. 2006 and were signed on its behalf by:

Director: Angela Cooper
(The notes on pages 5 to 7 form part of these unaudited financial statements)

PRECIS (2164) LIMITED

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31ST DECEMBER 2005**

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£	£
INCOME:			
Interest receivable		20,050	18,526
		<hr/>	<hr/>
EXPENDITURE:			
Administration fees - Mourant & Co. Limited		1,750	1,751
Professional fees		881	-
Audit fees		-	4,500
Annual return		30	15
Bank charges		130	20
Sundry expenses		72	2,017
		<hr/>	<hr/>
		2,863	8,303
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		17,187	10,223
Taxation	6	(5,161)	(8,278)
		<hr/>	<hr/>
PROFIT FOR THE YEAR	8	12,026	1,945
		<hr/> <hr/>	<hr/> <hr/>

Continuing operations

All items dealt with in arriving at the profit for the year ended 31st December 2005 and the profit relating to 31st December 2004 relate to continuing operations.

Recognised gains and losses

There are no recognised gains and losses other than the profit attributable to the shareholder of the Company of £ 12,026 for the year ended 31st December 2005 and the profit of £ 1,945 for the year ended 31st December 2004 and therefore no separate statement of total recognised gains and losses has been prepared.

(The notes on pages 5 to 7 form part of these unaudited financial statements)

PRECIS (2164) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2005

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 below:-

Deposit interest

Deposit interest is recognised on an accruals basis.

Cash flow statement

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 Statements".

2. SHAREHOLDER'S LOAN PAYABLE

	<u>2005</u>	<u>2004</u>
	£	£
Morgan Stanley Real Estate Fund III International - TE, L.P.	439,982	439,982

The loan is unsecured, interest free and repayable on demand. However the Directors have received confirmation from the shareholder that the loan will not be recalled for payment within the next 12 months.

3. OTHER CREDITORS

	<u>2005</u>	<u>2004</u>
	£	£
Audit fees	4,500	4,500
Annual filing fee	30	-
Corporation tax	2,925	8,100
	<u>7,455</u>	<u>12,600</u>

4. PROFIT FOR THE YEAR BEFORE TAXATION

	<u>2005</u>	<u>2004</u>
	£	£
Profit for the year before taxation is stated after charging:		
Audit fees	-	4,500

PRECIS (2164) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2005****5. SHARE CAPITAL**

	<u>2005</u>	<u>2004</u>
	£	£
AUTHORISED:		
100 ordinary shares of £1 each	100	100
ISSUED AND FULLY PAID:		
2 ordinary shares of £1 each	2	2

6. TAXATION

The Company is tax resident in England and therefore subject to UK corporation tax. The taxation reconciliation is shown below.

Tax on Profit on ordinary activities	<u>2005</u>	<u>2004</u>
(a) Analysis of charge in period		
Current Tax	£	£
UK corporation tax at 30% (2004: 30%)	5,161	3,067
Adjustments in respect of previous years	-	5,211
Total current tax (note 6(b))	5,161	8,278
(b) Factors affecting tax charge for period		
Profit on ordinary activities before tax	17,187	10,223
Profit on ordinary activities multiplied by standard UK corporation tax at 30% (2004: 30%)	5,161	3,067
Tax adjustment	-	5,211
Current tax charge for period (note 6 (a))	5,161	8,278

7. 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.

PRECIS (2164) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31ST DECEMBER 2005****8. RECONCILIATION OF MOVEMENTS
IN EQUITY SHAREHOLDER'S FUNDS**

	Share Capital	Profit & Loss Account	Total Shareholder's Funds
As at 1st January 2004	2	21,953	21,955
Profit for the year	-	1,945	1,945
As at 31st December 2004	2	23,898	23,900
Profit for the year	-	12,026	12,026
As at 31st December 2005	2	35,924	35,926

9. 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 Standard No. 8 "Related party disclosures".

10. RELATED PARTY

P. Schaefer is a vice president of MSREF III, Inc., which is the Morgan Stanley member of MSREF III, L.L.C., which is the general partner of Morgan Stanley Real Estate Investors III-International, L.P.

11. EMPLOYEE DISCLOSURES

The average number of employees employed by the Company during the year was nil (2004: nil).

12. CONTROLLING PARTY

The immediate controlling party is Morgan Stanley Real Estate Fund III International - TE, L.P., a limited partnership established in Delaware, U.S.A. The ultimate controlling party is an entity within the Morgan Stanley group.