

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST JULY 2005



MRI MOORES ROWLAND LLP

Chartered Accountants & Registered Auditors
3 Sheldon Square
Paddington
London
W2 6PS

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

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**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

OFFICERS AND PROFESSIONAL ADVISERS

The director	Mr. K. D. Shah
Company secretaries	D Shah and M H R Brooks
Registered office	8 -14 Talbot Square Paddington London W2 1TS
Auditors	MRI Moores Rowland LLP Chartered Accountants & Registered Auditors 3 Sheldon Square Paddington London W2 6PS
Bankers	Bank of Scotland 14-16 Cockspur Street London SW1Y 5BL The Citibank Private Bank 41 Berkeley Square London W1X 6NA

LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN HOUSING LIMITED)

THE DIRECTOR'S REPORT

YEAR ENDED 31ST JULY 2005

The director has pleasure in presenting his report and the financial statements of the company for the year ended 31st July 2005.

PRINCIPAL ACTIVITIES

The company changed its name to London Town Estates Limited with effect from 13th August 2004.

The principal activity of the company during the year was that of letting properties, principally to housing associations.

DIRECTOR

The director who served the company during the year was as follows:

Mr. K. D. Shah

The company is a wholly owned subsidiary and the interests of the group director are disclosed in the financial statements of the parent company.

DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 year.

In preparing those financial statements, the director is required to select suitable accounting policies, as described on pages 9 to 10, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is 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.

AUDITORS

A resolution to re-appoint MRI Moores Rowland LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

THE DIRECTOR'S REPORT *(continued)*

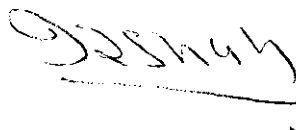
YEAR ENDED 31ST JULY 2005

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
8 -14 Talbot Square
Paddington
London
W2 1TS

Signed by order of the director



D SHAH
Company Secretary

Approved by the director on 19 May 2006

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN
HOUSING LIMITED)**

YEAR ENDED 31ST JULY 2005

We have audited the financial statements of London Town Estates Limited (formerly Metropolitan Housing Limited) for the year ended 31st July 2005 on pages 6 to 16 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 10.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Director's 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 specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Director's 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 United Kingdom 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 director 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.

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN
HOUSING LIMITED) *(continued)***

YEAR ENDED 31ST JULY 2005

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st July 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland LLP

3 Sheldon Square
Paddington
London
W2 6PS

MRI MOORES ROWLAND LLP
Chartered Accountants
& Registered Auditors

31 May 2006

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST JULY 2005

	Note	2005 £	2004 £
TURNOVER		294,866	220,131
Administrative expenses		124,632	108,055
OPERATING PROFIT	2	170,234	112,076
Interest receivable	3	11,944	6,608
Interest payable and similar charges		(205,386)	(125,421)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(23,208)	(6,737)
Tax on loss on ordinary activities	4	—	4,965
LOSS FOR THE FINANCIAL YEAR		(23,208)	(11,702)
NOTE OF HISTORICAL COST PROFITS AND LOSSES			
Reported profit/(loss) on ordinary activities before taxation		(23,208)	(6,737)
Difference between a historical cost depreciation charge and the actual depreciation charge		7,168	—
Historical cost profit/(loss) on ordinary activities before taxation		(16,040)	(6,737)
Historical cost profit/(loss) retained after taxation and dividends		(16,040)	(11,702)

The notes on pages 9 to 16 form part of these financial statements.

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31ST JULY 2005

	2005 £	2004 £
Loss for the financial year attributable to the shareholders	(23,208)	(11,702)
Unrealised profit on revaluation of certain fixed assets	—	1,014,400
Less provision for deferred tax on revaluation	<u>(265,647)</u>	<u>—</u>
Total gains and losses recognised since the last annual report	<u>(288,855)</u>	<u>1,002,698</u>

The notes on pages 9 to 16 form part of these financial statements.

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

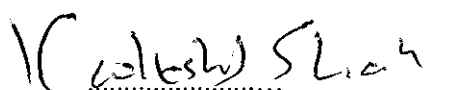
BALANCE SHEET

31ST JULY 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	5	4,799,637	4,726,982
CURRENT ASSETS			
Debtors due within one year	6	900	—
Debtors due after one year	6	945,750	—
Cash at bank		240,344	1,180,457
		<u>1,186,994</u>	<u>1,180,457</u>
CREDITORS: Amounts falling due within one year	7	<u>44,534</u>	<u>46,115</u>
NET CURRENT ASSETS		<u>1,142,460</u>	<u>1,134,342</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,942,097</u>	<u>5,861,324</u>
CREDITORS: Amounts falling due after more than one year	8	<u>4,919,886</u>	<u>4,815,905</u>
		<u>1,022,211</u>	<u>1,045,419</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	265,647	—
		<u>756,564</u>	<u>1,045,419</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11	100	100
Revaluation reserve	12	741,585	1,014,400
Profit and loss account	13	14,879	30,919
SHAREHOLDERS' FUNDS		<u>756,564</u>	<u>1,045,419</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved and signed by the director on 19 May 2006.


MR. K. D. SHAH

The notes on pages 9 to 16 form part of these financial statements.

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements have been prepared on the going concern basis. This is considered appropriate as the shareholders will continue to provide financial support to the company for the foreseeable future. Should the company be unable to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify fixed assets as current assets.

Turnover

The turnover shown in the profit and loss account represents amounts receivable in the year.

Fixed assets

All fixed assets are initially recorded at cost.

Freehold and leasehold properties are revalued at intervals no greater than five years. Interim revaluations are carried out when a material change in value has occurred.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Properties -	2% on cost/valuation
Long Leasehold Properties > 50 years -	2% on cost/valuation

Depreciation is not provided on freehold land. 60% of the valuation of the property is taken as the value of land.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN HOUSING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

1. ACCOUNTING POLICIES *(continued)*

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Corresponding amounts

In certain cases, the director has reanalysed corresponding amounts in order to make their disclosure more meaningful.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2005	2004
	£	£
Director's emoluments	—	—
Depreciation of owned fixed assets	75,488	32,429
Auditors' fees	2,350	3,525

3. INTEREST RECEIVABLE

	2005	2004
	£	£
Bank interest receivable	11,944	6,608

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

4. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2004 - 19%)	—	4,900
Over/under provision in prior year	—	65
Total current tax	<u>—</u>	<u>4,965</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2004 - 19%).

	2005 £	2004 £
Loss on ordinary activities before taxation	<u>(23,208)</u>	<u>(6,737)</u>
Profit/(loss) on ordinary activities by rate of tax	(4,410)	(1,280)
Effect of fixed assets depreciation	14,343	6,161
Effect of other adjustments	(9,933)	84
Total current tax (note 4(a))	<u>—</u>	<u>4,965</u>

5. TANGIBLE FIXED ASSETS

	Freehold Property & Long Leasehold Properties £
COST OR VALUATION	
At 1st August 2004	4,823,380
Additions	148,143
At 31st July 2005	<u>4,971,523</u>
DEPRECIATION	
At 1st August 2004	96,398
Charge for the year	75,488
At 31st July 2005	<u>171,886</u>
NET BOOK VALUE	
At 31st July 2005	<u>4,799,637</u>
At 31st July 2004	<u>4,726,982</u>

LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN HOUSING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

5. TANGIBLE FIXED ASSETS *(continued)*

Depreciation was not provided on freehold land. 60% of the value of properties, amounting to £582,851 (2004 - £471,228) was considered to be the value of land.

First legal charges over 4 freehold properties and 9 leasehold properties have been registered: Security for the company's banking facilities - 2 freehold and 5 leasehold properties.

Security for the banking facilities of a fellow subsidiary, LTH Estates Limited - 3 freehold and 6 leasehold properties.

In addition, all properties are security for the long-term loans.

Freehold and leasehold properties were valued in July 2004 at open market value by professional chartered surveyors who are members of RICS.

On the historical basis, freehold and leasehold properties would have been stated as follows:

	Freehold Properties £	Leasehold Properties £
Cost:		
As at 1st August 2004	770,380	3,038,600
Additions	9,371	138,772
Transfer (freehold purchased)	118,437	(118,437)
As at 31st July 2005	<u>898,188</u>	<u>3,058,935</u>
Accumulated depreciation:		
As at 1st August 2004	10,646	85,752
Charge for the year	5,754	62,566
Transfer (freehold purchased)	2,369	(2,369)
As at 31st July 2005	<u>18,769</u>	<u>145,949</u>

6. DEBTORS

	2005 £	2004 £
Trade debtors	900	—
Amounts owed by group undertakings	<u>945,750</u>	—
	<u>946,650</u>	—

LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN HOUSING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

6. DEBTORS *(continued)*

The debtors above include the following amounts falling due after more than one year:

	2005 £	2004 £
Amounts owed by group undertakings	<u>945,750</u>	<u>—</u>

The amount of £945,750 owing to a fellow subsidiary, Quality Crown Hotels Limited (formerly London Town Hotels (Investments) Limited) have no fixed repayment dates and are interest-free. Repayment of this amount has been deferred in favour of the other creditors of Quality Crown Hotels Limited.

7. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	20,637	12,714
Trade creditors	—	78
Other creditors including taxation:		
Corporation tax	—	4,900
Accruals and deferred income	<u>23,897</u>	<u>28,423</u>
	<u>44,534</u>	<u>46,115</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2005 £	2004 £
Bank loans and overdrafts	<u>20,637</u>	<u>12,714</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the company's assets, and by the freehold and leasehold properties as set out in note 5.

8. CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Bank loans and overdrafts	3,737,218	3,646,762
Amounts owed to group undertakings	<u>1,182,668</u>	<u>1,169,143</u>
	<u>4,919,886</u>	<u>4,815,905</u>

LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN HOUSING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

8. CREDITORS: Amounts falling due after more than one year *(continued)*

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2005	2004
	£	£
Bank loans and overdrafts	<u>3,737,218</u>	<u>3,646,762</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the company's assets, and by the freehold and leasehold properties as set out in note 5.

Included within creditors falling due after more than one year is an amount of £3,654,670 (2004 - £3,595,904) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

The bank loans of £3,737,218 (2004 - £3,646,762) include:

Loans of £361,818 (2004 - £388,177) repayable by monthly instalments of capital and interest of £3,630 (2004 - £3,094). Repayments scheduled within 2-5 years are £82,548 (2004 - £50,857) and the repayments after five years are £279,270 (2004 - £337,320).

Interest-only loans of £3,375,400 (2004 - £3,258,585), with monthly interest payments of £15,240 (2004 - £14,718) and no minimum monthly repayments.

Amounts payable to group companies of £1,182,668 (2004 - £1,169,143) have no fixed repayment terms and no interest is paid on these amounts.

9. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2005	2004
	£	£
Provision for deferred taxation on revaluation	<u>265,647</u>	—
Provision carried forward	<u>265,647</u>	—

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005	2004
	£	£
Provision deferred tax on revalued properties	<u>265,647</u>	—
	<u>265,647</u>	—

LONDON TOWN ESTATES LIMITED (FORMERLY METROPOLITAN HOUSING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

10. RELATED PARTY TRANSACTIONS

The company was under the control of London Town Group of Companies Limited throughout the current period. Mr K.D. Shah is the sole managing director of both the companies.

The company charged rent of £18,000 (2004 - £18,750) on two properties to a fellow subsidiary, LTH Estates Limited. In previous years properties were acquired from that company. The balance owing to LTH Estates at the year end was £1,140,143 (2004 - £1,140,143).

The balance owing to a fellow subsidiary, London Town Hotels Limited, was £42,525 (2004 - £29,000). The increase was an advance for additional working capital.

The company advanced £945,750 during the year to a fellow subsidiary, Quality Crown Hotels Limited (formerly London Town Hotels (Investments) Limited), to finance the purchase of the London Crown Hotel. The balance owing to the company at the year end was £945,750.

All the above balances are interest-free and have no fixed repayment dates.

11. SHARE CAPITAL

Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

12. REVALUATION RESERVE

	2005	2004
	£	£
Balance brought forward	1,014,400	—
Revaluation of fixed assets	—	1,014,400
Transfer to the Profit and Loss Account on realisation	(7,168)	—
Provision for deferred taxation on revaluation	<u>(265,647)</u>	<u>—</u>
Balance carried forward	<u>741,585</u>	<u>1,014,400</u>

**LONDON TOWN ESTATES LIMITED (FORMERLY
METROPOLITAN HOUSING LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2005

13. PROFIT AND LOSS ACCOUNT

	2005	2004
	£	£
Balance brought forward	30,919	42,621
Accumulated loss for the financial year	(23,208)	(11,702)
Transfer from revaluation reserve	7,168	—
Balance carried forward	<u>14,879</u>	<u>30,919</u>

14. POST BALANCE SHEET EVENTS

Four loans, amounting to £382,455 at 31st July 2005, were replaced by new loans of £483,000 in March 2006, resulting in additional liabilities of £100,545.

An amount of £50,000 was advanced to Merchant Securities Limited. Investments in quoted securities of £49,911 were purchased from these funds in March 2006.

15. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is London Town Group of Companies Limited, a company incorporated in England. The accounts can be obtained from the registered office at 8/14 Talbot Square, London W2 1TS.

In the director's opinion the company's ultimate parent company is Auro Trading and Investments Establishment, an Anstalt. The ultimate controlling party is Auro Trust, a trust outside the UK.