

**Chamberflame**

**Directors' report and consolidated  
financial statements**

**Registered number 04407344**

**For the year ended 31 December 2006**

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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2006

### Principal activities and business review

The company is a holding company of the subsidiaries that are shown, together with details of their activities, on page 21. These undertakings are engaged in property investment and trading. The group operates in the United Kingdom.

The results for the year are set out in the consolidated profit and loss account on page 5. The group's profit before taxation was £802,000 (2005: £203,000).

### Dividends

The directors do not recommend the payment of a final dividend (2005: £Nil). An interim dividend of £10,869,000 was paid on 29 March 2006 (2005: £74,426,000 paid on 15 February 2005).

### Directors

The directors of the company who served during the year and subsequently are set out below.

RW Carey  
RRW Falls

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each 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.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board and signed on its behalf by



RW Carey  
Director

Copse Cottage  
Hunningham House Farm  
Hunningham  
Leamington Spa  
Warwickshire  
CV33 9EW

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## **Independent auditors' report to the members of Chamberflame**

We have audited the group and parent company financial statements (the "financial statements") of Chamberflame for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. 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 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***

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

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 group's and 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.

## Independent auditors' report to the members of Chamberflame (*continued*)

### *Opinion*

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year 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

 KPMG Audit Plc

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

15 October 2007

**Consolidated profit and loss account**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Group turnover</b>	<i>1</i>	<b>4,779</b>	6 687
Cost of sales		<b>(3,784)</b>	(6 415)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>995</b>	272
Administration expenses		<b>(557)</b>	(1,080)
		<hr/>	<hr/>
<b>Total operating profit/(loss)</b>		<b>438</b>	(808)
Profit/(loss) on sale of subsidiary undertakings	<i>2</i>	<b>194</b>	(187)
		<hr/>	<hr/>
<b>Profit/(loss) before interest</b>		<b>632</b>	(995)
Net interest receivable	<i>4</i>	<b>170</b>	1,198
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>5</i>	<b>802</b>	203
Tax on profit on ordinary activities	<i>7</i>	<b>(224)</b>	554
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<i>17</i>	<b>578</b>	757
		<hr/>	<hr/>

The results set out above relate to continuing operations

Reserve movements are set out in note 17

**Consolidated balance sheet**  
*at 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>£000</b>	<b>2005</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	10	-	-	-	9
Investments	11	26	26	-	30
			<hr/>		<hr/>
			26		39
<b>Current assets</b>					
Trading properties		-	-	3,717	-
Debtors	12	283	-	4,268	-
Cash at bank and in hand	14	9,435	-	11,203	-
		<hr/>		<hr/>	
		9,718		19,188	
<b>Creditors</b> Amounts falling due within one year	13	(6,987)		(6,179)	
		<hr/>		<hr/>	
<b>Net current assets</b>			2,731		13,009
			<hr/>		<hr/>
<b>Net assets</b>			2,757		13,048
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16	-	-	-	-
Profit and loss account	17	2,707	2,707	-	12,998
		<hr/>			<hr/>
<b>Equity shareholder's funds</b>			2,707		12,998
Equity minority interests			50		50
			<hr/>		<hr/>
			2,757		13,048
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 15 October 2007 and were signed on its behalf by



**RW Carey**  
*Director*



**Consolidated cash flow statement**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Cash flow from operating activities</b>	<i>18(a)</i>	<b>8,914</b>	<b>73 920</b>
Returns on investments and servicing of finance	<i>18(b)</i>	<b>170</b>	<b>1,198</b>
Taxation		<b>656</b>	<b>2 880</b>
Capital expenditure and financial investment	<i>18(c)</i>	-	(3)
Acquisitions and disposals	<i>18(d)</i>	-	(187)
<b>Cash inflow before use of liquid resources and financing</b>		<b>9,740</b>	<b>77 808</b>
Equity dividend paid		<b>(10,869)</b>	<b>(74 426)</b>
Financing	<i>18(e)</i>	<b>(639)</b>	<b>(1 697)</b>
<b>(Decrease)/increase in cash in the period</b>	<i>18(f)</i>	<b>(1,768)</b>	<b>1 685</b>
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Decrease in cash in the period		<b>(1,768)</b>	<b>1 685</b>
Cash flow from decrease in debt		<b>639</b>	<b>1,697</b>
<b>Movement in net funds in the period</b>	<i>18(f)</i>	<b>(1,129)</b>	<b>3 382</b>
Opening net funds/(debt)		<b>7,507</b>	<b>4 125</b>
<b>Closing net funds</b>	<i>18(f)</i>	<b>6,378</b>	<b>7,507</b>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 December 2006*

	2006 £000	2005 £000
Profit for the financial year	578	757
Dividends	(10,869)	(74,426)
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the financial year/period</b>	<b>(10,291)</b>	<b>(73,669)</b>
	<hr/>	<hr/>

**Movement in consolidated shareholder's funds**  
*for the year ended 31 December 2006*

	2006 £000	2005 £000
Profit for the financial year	578	757
Dividends	(10,869)	(74,426)
	<hr/>	<hr/>
<b>Net reduction in shareholder's funds</b>	<b>(10,291)</b>	<b>(73,669)</b>
Equity shareholder's funds brought forward	12,998	86,667
	<hr/>	<hr/>
<b>Equity shareholder's funds carried forward</b>	<b>2,707</b>	<b>12,998</b>
	<hr/>	<hr/>

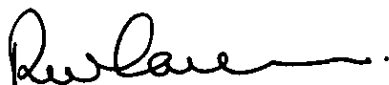
**Movement in company shareholder's funds**  
*for the year ended 31 December 2006*

	2006 £000	2005 £000
Profit for the financial year	9,175	9,051
Dividends	(10,869)	(74,426)
	<hr/>	<hr/>
<b>Net reduction in shareholder's funds</b>	<b>(1,694)</b>	<b>(65,375)</b>
Equity shareholder's funds brought forward	1,986	67,361
	<hr/>	<hr/>
<b>Equity shareholder's funds carried forward</b>	<b>292</b>	<b>1,986</b>
	<hr/>	<hr/>

**Parent company balance sheet**  
*at 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>£000</b>	<b>2005</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Investments	11		100		100
<b>Current assets</b>					
Debtors	12	191		212	
Cash at bank and in hand		7		2 118	
		<u>198</u>		<u>2 330</u>	
<b>Creditors</b> Amounts falling due within one year	13	(6)		(444)	
<b>Net current assets</b>			<u>192</u>		<u>1 886</u>
<b>Net assets</b>			<u>292</u>		<u>1,986</u>
<b>Capital and reserves</b>					
Called up share capital	16	-		-	
Profit and loss account	17	292		1,986	
<b>Equity shareholder's funds</b>	17		<u>292</u>		<u>1 986</u>

These financial statements were approved by the board of directors on 15 October 2007 and were signed on its behalf by



**RW Carey**  
*Director*

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the group's financial statements

#### *Basis of accounting*

The financial statements have been prepared in accordance with applicable Accounting Standards using the historical cost convention adjusted by the revaluation of operating and investment properties

At present, the Directors are managing the company with the intention of winding up the business. FRS 21 "Events after the balance sheet date" states that a company should prepare financial statements on a "break-up" basis if management have an intention to liquidate the company at the balance sheet date. The company's financial statements have been prepared on a going concern basis as the Directors believe that this is not significantly different at 31 December 2006 from that which would be presented on a break up basis

#### *Basis of consolidation*

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings using the acquisition method. The financial statements are made up to 31 December 2006

Results of businesses, subsidiaries and joint venture acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition, those of businesses, subsidiaries and joint ventures sold are included up to the effective date of disposal

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from gross rental income from freehold and leasehold investment and trading properties and sale of trading properties

#### *Tangible fixed assets*

Tangible fixed assets are shown at cost or valuation. Operating properties are shown at valuation. All other fixed assets are shown at cost

#### *Operating fixed assets*

Depreciation is calculated so as to write down the cost of fixed assets, less their estimated residual value over their estimated useful lives. The bases used are as follows

Fixtures, fittings, tools and equipment are depreciated in equal annual instalments of 50%

#### *Trading properties*

These comprise properties held for resale which are held at the lower of cost and net realisable value

#### *Investments*

In the company's financial statements, investments in subsidiaries are stated at cost less amounts written off

#### *Taxation*

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except that deferred tax may not be recognised on any potential capital gain where a binding sale commitment is not in place

The group allocates the tax charge arising on the sale of investment properties on a pro-rata basis between the gain previously recognised in the revaluation reserve and the further gain or loss arising on the sale in the profit and loss account

## Notes (continued)

### 2 Profit/(loss) on sale of subsidiary undertakings

During the year, twenty one subsidiary undertakings were liquidated or struck off. The profit on sale of subsidiaries includes the costs of liquidation.

### 3 Staff numbers and costs

The average number of persons employed by the group (including executive directors) during the year was as follows:

	Number of employees 2006	2005
Property investment and administration	4	6

The aggregate payroll costs were as follows:

	£000	£000
Wages and salaries	122	461
Social security costs	9	96
Other pension costs	3	5
	<u>134</u>	<u>562</u>

### 4 Net interest receivable

	2006 £000	2005 £000
<b>Interest payable</b>		
Intergroup interest payable	(26)	(268)
<b>Interest receivable and similar income</b>		
Bank and other interest receivable	76	442
Intergroup interest receivable	70	1,024
Corporation tax interest receivable	50	-
	<u>170</u>	<u>1,198</u>

## Notes (continued)

### 5 Profit on ordinary activities before taxation

	2006 £000	2005 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation	5	9
Loss on disposal of fixed assets	4	-
<i>Auditors remuneration</i>		
Audit	2	2
	<u>          </u>	<u>          </u>

Amounts payable in respect of audit services in the period were borne by Pinstripe (Jersey) Limited, the ultimate parent company (31 December 2005 *Chambercroft Limited a group undertaking*)

### 6 Directors' emoluments

No director received emoluments in respect of services on behalf of the company during the year

### 7 Tax on profit on ordinary activities

#### (a) Analysis of charge in period

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax on income for the period	224	-
Adjustments in respect of prior periods	-	(554)
	<u>          </u>	<u>          </u>
Total current tax	224	(554)
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	244	(554)
	<u>          </u>	<u>          </u>

#### (b) Factors affecting the credit for the year

The tax assessed for the year is lower (2005 *lower*) than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before taxation	802	203
	<u>          </u>	<u>          </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	240	61
<i>Effects of</i>		
Utilisation of tax losses	-	(52)
Loss on disposal of fixed assets not taxable	-	15
Non-taxable income	(16)	-
Other	-	(24)
Adjustments in respect of previous periods	-	(554)
	<u>          </u>	<u>          </u>
Current tax credit for the year	224	(554)
	<u>          </u>	<u>          </u>

## Notes (continued)

### 7 Tax on profit on ordinary activities (continued)

#### (c) Factors that may affect future current and total tax charges

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008. The deferred tax asset/liability has been calculated at 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be (charged)/relieved at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax asset/liability will reverse, it is not possible to calculate the full financial impact of this change.

### 8 Profit for the financial year

The retained profit after tax (pre-dividends) for the year for the company is £9,175,000 (2005 £9,051,000).

As permitted by the Companies Act 1985 the profit and loss account of the company has not been separately presented in these financial statements.

### 9 Equity dividends paid

	2006 £000	2005 £000
Interim dividend payable of 1.08690p per share (2005 7.44263p)	<u>10,869</u>	<u>74,426</u>

### 10 Tangible fixed assets

#### Tangible fixed assets - group operating assets

	Fixtures, fittings, tools & equipment £000
<b>Cost or valuation</b>	
At beginning of year	18
Disposal	(18)
	<u>-</u>
At end of year	<u>-</u>
<b>Depreciation</b>	
At beginning of year	9
Charge for the year	5
Disposal	(14)
	<u>-</u>
At end of year	<u>-</u>
<b>Net book value</b>	
At 31 December 2006	<u>-</u>
At 31 December 2005	<u>9</u>

The company has no operating fixed assets.

## Notes (continued)

### 11 Investments (held as fixed assets)

#### Group

	Other unlisted investments £000
<i>Cost and net book value</i>	
At beginning of year	30
Disposals	(4)
	<hr/>
At end of year	26
	<hr/>

#### Company

	Shares in subsidiary undertaking £000
<i>Cost and net book value</i>	
At beginning and end of year	100
	<hr/>

Details of principal subsidiaries are shown on page 22

### 12 Debtors

	2006 Group £000	Company £000	2005 Group £000	Company £000
<b>Due within one year</b>				
Trade debtors	-	-	1	-
Amounts owed by related parties (note 20)	216	-	4,012	-
Amounts owed by group undertakings	-	191	-	212
Other debtors	67	-	87	-
Taxation recoverable	-	-	167	-
Prepayments and accrued income	-	-	1	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total debtors</b>	283	191	4,268	212
	<hr/>	<hr/>	<hr/>	<hr/>

### 13 Creditors Amounts falling due within one year

	2006 Group £000	Company £000	2005 Group £000	Company £000
Other loans (note 15)	3,057	-	3,696	-
Trade creditors	-	-	12	-
Amount owed to related parties (note 20)	-	-	-	-
Amounts owed to group undertakings	-	-	-	444
Other creditors	835	-	148	-
Accruals and deferred income	2,381	-	2,323	-
Corporation tax payable	714	6	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,987	6	6,179	444
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes (continued)

### 14 Cash and borrowings

Total borrowings, which are secured as set out below, are included in the financial statements as follows

	<b>Group</b>
	<b>2006</b>
	<b>2005</b>
	<b>£000</b>
	<b>£000</b>
Creditors Amounts falling due within one year	
Other loans	3,057
	3,696
Total gross borrowings	3,057
Less cash held	(9,435)
	(11,203)
Total net cash	(6,378)
	(7,507)

#### Other loans

Loan notes totalling £3,057,000 are outstanding at 31 December 2006 (2005 £3,696,000). The loan notes were repayable at the loan note holders' option each 30 June and 31 December. They attract interest at 0.5% below LIBOR. The loan notes are guaranteed by Morgan Stanley Dean Witter Bank Limited, who in turn hold a cash deposit as security in respect of this guarantee.

### 15 Financial instruments

The group adopted the disclosure requirements of Financial Reporting Standard 13 "Derivatives and Other Financial Instruments" ("FRS 13").

The group has taken advantage of the exemption under FRS 13 that short term debtors and creditors be excluded from the following disclosures:

#### Financial assets maturity

On 31 December 2006, cash at bank and in hand amounted to £6,378,000 (2005 £11,203,000) which is invested in bank accounts bearing interest at the bank's variable rate.

#### Financial liabilities maturity

	<b>Group</b>
	<b>2006</b>
	<b>2005</b>
	<b>£000</b>
	<b>£000</b>
Other loans:	
In less than one year or on demand	3,057
	3,696
	3,057
	3,696
Total borrowings	
In one year or less or on demand	3,057
	3,696
Total borrowings	3,057
	3,696

The group did not have any undrawn committed banking facilities at 31 December 2006.

## Notes (continued)

### 15 Financial instruments (continued)

#### Interest rate risk and hedge profile

The interest rate profile of the group's financial liabilities at 31 December 2006 was

	2006 £000	2005 £000
<b>Sterling</b>		
<i>Floating rate borrowings</i>		
Other loans	3,057	3 696
<b>Total borrowings</b>	<u>3,057</u>	<u>3 696</u>

#### Fair values

The fair values of the group's financial assets and liabilities are set out below

	Book value £000	2006 Fair value £000	Fair value adjustment £000	Book value £000	2005 Fair value £000	Fair value adjustment £000
Primary financial instruments held or issued to finance the group's operations						
Other loans	(3,057)	(3,057)	-	(3 696)	(3 696)	-
Financial assets	9,435	9,435	-	11,203	11,203	-
	<u>6,378</u>	<u>6,378</u>	<u>-</u>	<u>7 507</u>	<u>7 507</u>	<u>-</u>
Tax at 30%			-			-
<b>Post tax fair value adjustment</b>			<u>-</u>			<u>-</u>

There are no recognised gains or losses carried forward at the balance sheet date

## Notes (continued)

### 16 Share capital

	2006 £000	2005 £000
<i>Authorised</i>		
1 721 475 075 ordinary A shares of 1p each	17,215	17 215
5 164 425 225 ordinary B shares of 1p each	51,644	51 644
151 683 ordinary C shares of 1p each	2	2
	<hr/> 68,861 <hr/>	<hr/> 68 861 <hr/>
<i>Allotted, called up and fully paid</i>		
10 000 (2005 1 721 475,075) ordinary A shares of 1p each	-	-
Nil (2005 5 164 425 225) ordinary B shares of 1p each	-	-
	<hr/> - <hr/>	<hr/> - <hr/>

Per Financial Reporting Standard No 4 'Capital instruments', equity shares that have one vote per share and have no preferential dividend rights, no redemption rights and an unlimited right to share in a surplus remaining on wind up do not require additional disclosure. Accordingly, the details below have been reported by exception.

The rights of the classes of share capital shown above are as follows:

#### *Dividends*

The holders of ordinary "C" shares of 1p each are not entitled to receive dividends.

#### *Rights to vote at meetings of the company*

The holders of ordinary "C" shares of 1p each do not have a right to attend or vote at meetings of the company.

#### *Rights to appoint directors*

The holders of 50% or more of the "B" ordinary shares in issue are entitled to appoint and remove such number of "B" directors by informing the company in writing.

#### *Rights to capital on winding up*

After the debts and liabilities and the costs of winding up have been paid, any return of capital to shareholders is dependent upon the following:

- If the total return on exit exceeds a certain level, holders of the ordinary "A" shares and ordinary "C" shares have the right to a greater proportion of the capital available for distribution. This would be achieved by way of redemption of the appropriate number of ordinary "B" shares, and
- Subject to the above, the ordinary "C" shares have no further rights to receive any capital on a winding up of the company over and above the amount paid up on those shares.

The above summary of rights and principle features of each class of share cannot adequately provide the information necessary to understand the commercial effect of the instruments. Full details are available in the articles of association of Chamberflame, which are available to the public and may be obtained from The Registrar at Companies House.

## Notes (continued)

### 17 Reserves

#### Group

	£000
<b>Profit and loss account</b>	
At beginning of year	12 998
Profit for the financial year	578
Dividends	(10 869)
	<hr/>
<b>At end of year</b>	<b>2,707</b>
	<hr/> <hr/>

#### Company

	£000
<b>Profit and loss account</b>	
At beginning of year	1,986
Profit for the financial year	9,175
Dividends	(10 869)
	<hr/>
<b>At end of year</b>	<b>292</b>
	<hr/> <hr/>

### 18 Cash flow statement

#### (a) Reconciliation of operating loss to operating cash flow

	2006 £000	2005 £000
Group operating profit	438	(808)
Depreciation and other amounts written off fixed assets (including investment properties)	13	(9)
Movement in trading properties	3,717	5,996
Movement in debtors	3,818	356 423
Movement in creditors	734	(287,682)
Profit on disposal	194	-
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>8,914</b>	<b>73,920</b>
	<hr/> <hr/>	<hr/> <hr/>

#### (b) Returns on investments and servicing of finance

	2006 £000	2005 £000
Interest paid	(26)	(268)
Interest received	196	1 466
	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>170</b>	<b>1 198</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 18 Cash flow statement (continued)

#### (c) Capital expenditure and financial investment

	2006 £000	2005 £000
Purchase of unlisted investments	-	(3)
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>-</b>	<b>(3)</b>

#### (d) Acquisitions and disposals

	2006 £000	2005 £000
Cost of liquidating companies	-	(187)
<b>Net cash outflow from acquisitions and disposals</b>	<b>-</b>	<b>(187)</b>

#### (e) Financing

	2006 £000	2005 £000
<b>Movement in debt:</b>		
Repayment of bank loans	(639)	(1 697)
<b>Net movement in debt</b>	<b>(639)</b>	<b>(1 697)</b>
<b>Total financing</b>	<b>(639)</b>	<b>(1 697)</b>

#### (f) Analysis of net debt

	At 31 December 2005 £000	Cash flow £000	At 31 December 2006 £000
Cash in hand and at bank	11 203	(1 768)	9,435
Due within one year	(3 696)	639	(3,057)
<b>Total</b>	<b>7 507</b>	<b>(1 129)</b>	<b>6,378</b>

### 19 Commitments

#### Group

At 31 December 2006, the group had no capital commitments (2005 £Nil) and had no operating lease commitments (2005 £Nil)

#### Company

At 31 December 2006, the company had no capital commitments (2005 £Nil) and had no operating lease commitments (2005 £Nil)

## Notes (continued)

### 20 Disclosure of related party transactions

#### Pinstripe (Jersey) Limited

Following the insertion of Pinstripe (Jersey) Limited on 4 November 2005 as the holding company of the Chamberflame group and the subsequent changes to the legal structure of the group the following entities are considered to be related parties to the Chamberflame group ('the Jersey entities') as at 31 December 2006

Pinstripe (Jersey) Limited  
Industrious Debenture Security (Jersey) Limited  
Industrious MTL Security (Jersey) Limited  
Industrious Loan Security (Jersey) Limited  
Industrious Warehousing (Jersey) Limited

A summary of the transactions between the Chamberflame group and the Jersey entities subsequent to the changes in legal structure together with the outstanding balances as at 31 December 2006 is as follows

Transactions in the relevant period	£000
Balance owed by the Jersey entities as at 31 December 2005	4 012
Repayment of loans made to related parties	(4,012)
Net interest receivable	44
Net cash movement	172
<b>Balance owed by the Jersey entities as at 31 December 2006</b>	<b>216</b>

### 21 Parent company and ultimate controlling party

The company's parent company at 31 December 2006 is Pinstripe (Jersey) Limited, a company incorporated in Jersey

The directors consider Morgan Stanley Real Estate Fund IV, a discretionary real estate private investment opportunity fund sponsored by a member of the Morgan Stanley Group, to be the ultimate controlling party of the company by virtue of its 96% shareholding in Pinstripe (Jersey) Limited

The results of the company are consolidated in the group accounts of Pinstripe (Jersey) Limited

## Notes (continued)

### 22 Principal subsidiary and joint venture undertakings

#### Intermediate holding company

Chambercroft Limited

All subsidiaries except Chambercroft Limited are held through intermediate parent companies

**Principal operating subsidiary undertakings which are wholly owned and all their shares consist of ordinary shares**

#### *Activities in property investment and trading*

##### *Incorporated in Great Britain*

Industrious Estates Limited

Glyben Limited

#### **Operating subsidiary undertaking not wholly owned - Activities in property investment and trading**

The group holds 2,500 £1 'A' ordinary shares in Industrious Properties Limited a company incorporated in Great Britain. A further 10,000 non-voting £1 "B" ordinary shares have been issued in the year. As the "B" shares are non-voting, the group continues to control Industrious Properties Limited and as such it remains a subsidiary of the group. Chambercroft continues to hold small shareholdings in certain of these companies.

The following companies are direct or indirect subsidiaries of Industrious Properties Limited. Their shares consist of ordinary shares.

Prism Chantry Limited

Cameron Glyben Securities Limited

Industrious Trading Estates Limited

Park Street Limited

Maycredit Limited

Industrious Leasebacks Limited

Industrious Debenture UK Limited

Industrious Loan UK Limited

Industrious MTL UK Limited

Industrious Loan2 UK Limited

Industrious Loan Partner UK Limited

Industrious Debenture Partner UK Limited

Industrious MTL Partner UK Limited

Industrious Loan2 Partner UK Limited

##### *Incorporated in the Isle of Man*

Industrious (Openshaw) Limited

Industrious (Whithorn) Limited