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COMPANY NUMBER 04430048

Islandview Properties Limited

Report and Financial Statements

Year Ended

31 March 2008



BDO Stoy Hayward
Chartered Accountants



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Islandview Properties Limited

Annual report and financial statements for the year ended 31 March 2008

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Directors

A C Gallagher
Lord Harris of Peckham
G H Gosling
P J Saunders

Secretary and registered office

S A Burnett, 15 Hockley Court, Stratford Road, Hockley Heath, Solihull, West Midlands, B94 6NW

Company number

04430048

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

Islandview Properties Limited

Report of the directors for the year ended 31 March 2008

The directors present their report together with the audited financial statements for the year ended 31 March 2008

Results

The profit and loss account is set out on page 5 and shows the loss for the year

The directors do not recommend the payment of a final dividend (2007 - £Nil)

Principal activities

The principal activity of the company in the year under review was that of property investment

The results for the year and financial position of the company are as shown in the annexed financial statements

Directors

The directors of the company during the year were

A C Gallagher
Lord Harris of Peckham
G H Gosling
P J Saunders

Post Balance Sheet Event

Due to adverse market conditions in the property sector, the directors believe that the value of the investment properties held has fallen by 10-15% since the balance sheet date

Islandview Properties Limited

Report of the directors for the year ended 31 March 2008 *(continued)*

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 are required to

- 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 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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

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

On behalf of the Board



G H Gosling
Director

23 October 2008

Islandview Properties Limited

Report of the independent auditors

To the shareholders of Islandview Properties Limited

We have audited the financial statements of Islandview Properties Limited for the year ended 31 March 2008 which comprise the Profit and Loss account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

Islandview Properties Limited

Report of the independent auditors (*continued*)

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 March 2008 and of its loss 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

BDO Stoy Hayward Ltd

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors
London*

Date *19 October 2008*

Islandview Properties Limited

Profit and loss account for the year ended 31 March 2008

	Note	2008 £	2007 £
Turnover		2,475,836	876,688
Cost of sales		185,580	129,812
Gross profit		2,290,256	746,876
Administrative expenses		22,674	31,873
Operating profit	2	2,267,582	715,003
Interest receivable and similar income		72,982	51,334
Interest payable and similar charges	3	3,545,867	2,555,627
Loss on ordinary activities before taxation		(1,205,303)	(1,789,290)
Taxation on profit from ordinary activities		(567,837)	(89,216)
Loss for the financial year after taxation	11	(637,466)	(1,700,074)

All amounts relate to continuing activities

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis

The notes on pages 7 to 12 form part of these financial statement

Islandview Properties Limited


Balance sheet at 31 March 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	4		68,034,149		67,970,047
Investments	5		8		8
			<hr/>		<hr/>
			68,034,157		67,970,055
Current assets					
Debtors	6	21,303,499		22,130,136	
Cash at bank and in hand		2,161,341		1,974,153	
		<hr/>		<hr/>	
		23,464,840		24,104,289	
Creditors amounts falling due within one year	7	1,651,532		1,364,783	
		<hr/>		<hr/>	
Net current assets			21,813,308		22,739,506
			<hr/>		<hr/>
Total assets less current liabilities			89,847,465		90,709,561
Creditors: amounts falling due after more than one year	8		(56,500,000)		(56,500,000)
Provision for liabilities and charges	9		-		(224,630)
			<hr/>		<hr/>
Net assets			33,347,465		33,984,931
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		(1,756,961)		(1,119,495)
Revaluation reserve	11		35,104,326		35,104,326
			<hr/>		<hr/>
Shareholders' funds	13		33,347,465		33,984,931
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board and authorised for issue on 23 October 2008


G H Gosling
Director


P J Saunders
Director

The notes on pages 7 to 12 form part of these financial statements

Islandview Properties Limited

Notes forming part of the financial statements for the year ended 31 March 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings. The following principal accounting policies have been applied:

Cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualified as a small company.

Turnover

Turnover represents the rental income receivable, service charges and other recoveries from investment properties in the United Kingdom.

In circumstances where a tenant has been given an incentive into a lease by way of a payment, the incentive is treated as a reduction in rental income. The incentive is amortised on a straight-line basis over the period from term commencement to the date of the first rent review, in accordance with UITF 28. Where an incentive is given to a tenant by way of a rent free period, the total rental income receivable for the period to the first rent review is recognised on a straight line basis from term commencement to the date of the first rent review, in accordance with UITF 28.

Investment properties

Until investment properties are complete they are included in the accounts at cost. Once completed, investment properties are revalued annually to open market value and no depreciation is provided.

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 be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise have been shown, cannot reasonably be separately identified or quantified.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Islandview Properties Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (*continued*)

1 Accounting policies (*continued*)

Amortisation of loan issue costs

Costs incurred in respect of obtaining loan finance are included in other debtors and are amortised on a straight line basis over the term of the loan in proportion to the outstanding loan

2 Operating profit

	2008 £	2007 £
This has been arrived at after charging		
Auditors' remuneration	3,175	2,500
Lease incentives	782,189	138,278
	<hr/>	<hr/>

3 Interest payable and similar charges

	2008 £	2007 £
Bank interest	3,487,095	2,371,810
Interest payable on loans from related parties	-	147,655
Amortisation of loan issue costs	58,772	36,162
	<hr/>	<hr/>
	3,545,867	2,555,627
	<hr/>	<hr/>

4 Tangible fixed assets

	Freehold investment properties £
<i>Cost</i>	
At 1 April 2007	67,970,047
Additions	64,102
	<hr/>
At 31 March 2008	68,034,149
	<hr/>
<i>Net book value</i>	
At 31 March 2008	68,034,149
	<hr/>
At 31 March 2007	67,970,047
	<hr/>

Islandview Properties Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (*continued*)

4 Tangible fixed assets (*continued*)

The directors are of the opinion that at 31 March 2008 the value of the investment properties stated above is not materially different to the open market value. Since the balance sheet date, due to adverse market conditions in the property sector, the directors believe that the value of the investment properties held has fallen by 10-15%.

On an historical cost basis these would have been included at an original cost of £32,929,830 (2007 - £32,865,728).

If the investment properties had been sold at 31 March 2008 then the company would crystallise a tax liability in the region of £10,530,000 (2007 - £10,530,000).

5 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At 1 April 2007 and 31 March 2008	8
	<hr/>
<i>Net book</i>	
At 1 April 2007 and 31 March 2008	8
	<hr/>

This represents investments in all of the ordinary shares of two subsidiaries, Lawgra (No 947) Limited and CR Chelverton Properties (Waterlooville) Limited which are not trading and have net assets of £8. Group accounts are not prepared as the subsidiaries are considered wholly immaterial.

6 Debtors

	2008 £	2007 £
Trade debtors	20,123	24,663
Amounts due from related undertakings	17,923,454	18,293,454
Other debtors	3,016,715	3,812,019
Deferred tax (note 9)	343,207	-
	<hr/>	<hr/>
	21,303,499	22,130,136
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

Islandview Properties Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (continued)

7 Creditors: amounts falling due within one year

	2008 £	2007 £
Other tax and social security	154,645	-
Other creditors	59,577	86,347
Accruals and deferred income	1,437,310	1,278,436
	<u>1,651,532</u>	<u>1,364,783</u>

8 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loans (secured)	56,500,000	56,500,000
	<u>56,500,000</u>	<u>56,500,000</u>

The bank loan is on normal commercial terms and is secured by way of a fixed charge over the assets of the company. Interest is payable on the loan at a rate per annum equal to the aggregate of LIBOR, the margin and the associated costs for such interest period.

The loan is repayable by quarterly instalments of £100,000 from January 2010 with the final balance being repayable in October 2013.

	2008 Bank loan £	2007 Bank loan £
In more than one year but not more than two years	100,000	-
In more than two years but not more than five years	1,200,000	-
After five years	55,200,000	56,500,000
	<u>56,500,000</u>	<u>56,500,000</u>

Islandview Properties Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (continued)

9 Provisions for liabilities and charges

	2008 £	2007 £
Deferred tax	(343,207)	224,630
	<u>2008</u> £	<u>2007</u> £
Accelerated capital allowances	441,793	406,736
Losses	(785,000)	(182,106)
	<u>(343,207)</u>	<u>224,630</u>
		£
At 1 April 2007		224,630
Charge for the year		(126,522)
Prior year adjustment		(441,315)
		<u>At 31 March 2008</u>
		(343,207)

10 Share capital

	Authorised		Allotted, called up and fully paid	
	2008 £	2007 £	2008 £	2007 £
50 'A' ordinary shares of £1 each	51	51	50	50
50 'B' ordinary shares of £1 each	51	51	50	50
	<u>102</u>	<u>102</u>	<u>100</u>	<u>100</u>

11 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 April 2007	35,104,326	(1,119,495)
Loss for the year	-	(637,466)
	<u>At 31 March 2008</u>	<u>(1,756,961)</u>
	35,104,326	

Islandview Properties Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (continued)

12 Related party disclosures

At 31 March 2008 amounts due from related parties amounted to £8,961,727 due from both Ashflame Properties Limited and Harris Ventures Limited, who, under a joint venture agreement own the entire share capital of the company

Transactions with directors

During the year the company leased a retail park unit on an arm's length basis, to Carpetright plc, a company in which Lord Harris of Peckham is a director and shareholder. During the year annual rent of £272,490 (2007 £163,065) was received and a compensation payment of £100,000 was made to Carpetright plc

13 Reconciliation of movement in shareholders' funds

	2008 £	2007 £
Loss for the financial year	(637,466)	(1,700,074)
Net reduction to shareholders' funds	(637,466)	(1,700,074)
Opening shareholders' funds	33,984,931	35,685,005
Closing shareholders' funds	33,347,465	33,984,931

14 Controlling party

The company is controlled as a joint venture by Harris Ventures Limited and Ashflame Properties Limited