

REGISTRAR'S COPY

COMPANY

NUMBER: 5367537

**Sackville Properties Limited
(formerly Sackville Properties Plc and
Sackville Properties UK Plc)**

Report and Financial Statements

Period Ended

31 March 2006



**BDO Stoy Hayward
Chartered Accountants**



Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Annual report and financial statements for the period ended 31 March 2006

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Directors

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Directors

R J Madejski OBE DL
J P Homan
M E Bracken
N Howe
I M Wood-Smith
I Smith

Secretary and registered office

I M Wood-Smith

River Wing, Latimer Park, Latimer, Chesham, Buckinghamshire HP5 1TU

Company number

5367537

Auditors

BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading RG1 3EX

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Report of the directors for the period ended 31 March 2006

The directors present their report together with the audited financial statements for the period ended 31 March 2006.

Results and dividends

The consolidated profit and loss account is set out on page 6 and shows the profit for the period.

The directors do not recommend a dividend.

Principal activities, trading review and future developments

The company was incorporated on 17 February 2005 under the name Sackville Properties (UK) Plc. On 9 January 2006, the company name changed to Sackville Properties Plc. Subsequent to the year end, on 19 July 2006, the company name was changed to Sackville Properties Limited.

On 1 March 2005 the company acquired the entire issued share capital of Sackville Property Investments Limited.

On 3 March 2005 the authorised share capital increased to £1,000,000, comprising 1,000,000 Ordinary Shares of £1.00.

On the same day the additional shares were issued and fully paid.

On 22 March 2005 Sackville Property Investments Limited acquired GPF Investment Company Limited as part of the acquisition of a property portfolio. This acquisition comprised eight commercial and industrial properties throughout the U.K. The acquisition was funded by way of shareholders' loans and bank finance provided by Lloyds TSB Bank Plc.

Since the acquisition two of the properties have been disposed of.

On 5 August 2005 the company, through its subsidiary companies, including Sackville Property Investments Limited and other subsidiary companies specially created for the purpose, acquired a second property portfolio. In addition, Sackville Property Investments Limited also acquired Countryroad Investments Limited which owns one property in the portfolio as part of the agreement. The portfolio acquired comprises thirty seven properties, mainly commercial and industrial, spread throughout the U.K. The acquisition was funded by a combination of bank loans and loans from the majority shareholder.

The principal activity of the company is holding company for property investment companies.

Use of financial instruments

The company's subsidiaries have incurred bank and shareholder debt in order to fund the acquisition of the property portfolios. In order to manage the interest rate risk, interest rate swap contracts have been taken out by the appropriate company. The details of the swap contracts are set out in the notes to the accounts.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Report of the directors for the period ended 31 March 2006 (*Continued*)

Directors

The directors of the company during the period were:

R J Madejski OBE DL	(appointed 21 February 2005)
J P Homan	(appointed 17 February 2005)
M E Bracken	(appointed 17 February 2005)
N Howe	(appointed 21 February 2005)
I M Wood-Smith	(appointed 17 February 2005)
I Smith	(appointed 20 July 2005)
J G Parkes	(appointed 17 February 2005; resigned 17 February 2005)

The interest of the directors in the shares of the company are:

Name	Class of share	Number of shares held 31 March 2006
R J Madejski OBE DL	£1 Ordinary	412,500
J P Homan	£1 Ordinary	37,500
M E Bracken	£1 Ordinary	37,500
N Howe	£1 Ordinary	12,500
		<hr/>
		500,000
		<hr/>

No other director had any interest in the ordinary shares of the company.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Report of the directors for the period ended 31 March 2006 (*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 period 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 those 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, subject to any material departures disclosed and explained in the financial statements.
- 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 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 and other irregularities.

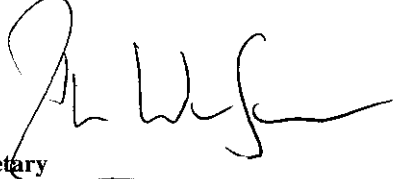
Disclosure of information to auditors

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 purposes 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.

Auditors

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

By order of the Board


Secretary

Date 18/8/2006

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Report of the independent auditors

To the shareholders of Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

We have audited the group and parent company financial statements (the "financial statements") of Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc) for the period ended 31 March 2006 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the statement of total recognised gains and losses 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. We also report to you if, in our opinion, the directors' report is not consistent with those 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 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.

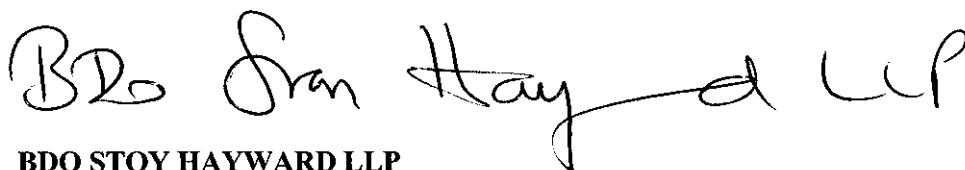
Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2006 and of its profit for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2006; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*

Reading

Date 18 August 2006

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Consolidated profit and loss account for the period ended 31 March 2006

	Note	2006 £
Gross property income	2	9,180,735
Net property income	2	8,665,658
Administrative expenses		(941,458)
Operating profit	5	7,724,200
Loss on sale of fixed asset investments		(75,488)
Profit on ordinary activities before interest and taxation		7,648,712
Interest receivable		78,381
Interest payable and similar charges	7	(7,685,445)
Profit on ordinary activities before taxation		41,648
Taxation on profit from ordinary activities	8	-
Profit on ordinary activities after taxation		41,648
Dividends		-
Retained profit for the period		41,648

All amounts relate to continuing activities.

The notes on pages 10 to 23 form part of these financial statements.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Statement of total recognised gains and losses, note of historical cost profits and losses and reconciliation of movements in shareholders' funds for the period ended 31 March 2006

	2006 £
Statement of total recognised gains and losses	
Profit for the period	41,648
Unrealised surplus on revaluation of properties	3,948,316
	<hr/>
Total recognised gains and losses for the period	3,989,964
	<hr/>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Reconciliation of movements in shareholders' funds

Profit for the period	41,684
Unrealised surplus on revaluation of properties	3,948,316
Shares issued	500,000
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	4,489,964
	<hr/>

The notes on pages 10 to 23 form part of these financial statements.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Balance sheet at 31 March 2006

	Note	Company		Group	
		2006	2006	2006	2006
		£	£	£	£
Fixed assets					
Intangible assets	9		-		1,327,394
Tangible assets	10		-		154,940,000
Investments	11		2		-
Current assets					
Debtors	12	731,345		1,815,033	
Cash at bank and in hand		182,648		3,491,228	
		<u>913,993</u>		<u>5,306,261</u>	
Creditors: amounts falling due within one year	13	121,506		4,411,620	
		<u></u>		<u></u>	
Net current assets			792,487		894,641
			<u>792,489</u>		<u>157,162,035</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	14		-		(152,131,642)
Provisions for liabilities and charges	15		-		(540,429)
			<u>792,489</u>		<u>4,489,964</u>
Capital and reserves					
Called up share capital	16		500,000		500,000
Revaluation reserve	17		-		3,948,316
Profit and loss account	17		292,489		41,648
			<u>792,489</u>		<u>4,489,964</u>
Shareholders' funds					
			<u>792,489</u>		<u>4,489,964</u>

The financial statements were approved by the Board on 18th August 2006

Ia Smith

Director

The notes on pages 10 to 23 form part of these financial statements.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Consolidated cash flow statement for the period ended 31 March 2006

	Note	2006 £	2006 £
Net cash inflow from operating activities	21		4,150,632
Returns on investments and servicing of finance			
Interest received		78,381	
Interest paid		(7,685,445)	
Net cash outflow from returns on investments and servicing of finance			(7,607,064)
Capital expenditure			
Purchase of tangible fixed assets		(93,381,684)	
Receipts from sales of tangible fixed assets		14,274,512	
Net cash outflow from capital expenditure			(79,107,172)
Acquisitions			
Cash acquired on purchase of subsidiary undertakings		1,231,885	
Purchase of subsidiary undertakings		(20,860,868)	
Net cash outflow from acquisitions			(19,628,983)
Net cash outflow before use of financing			(102,192,587)
Financing			
Issue of ordinary share capital		500,000	
Loans advanced in the period		167,370,000	
Loan repayments		(61,572,272)	
Loan arrangement fees		(613,913)	
Net cash inflow from financing			105,683,815
Increase in cash	22, 23		3,491,228

The notes on pages 10 to 23 form part of these financial statements

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of Sackville Properties Limited and all of its subsidiary undertakings as at 31 March 2006 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition or incorporation, as applicable.

Gross Property Income

The company's gross property income comprises rental income and other recoveries from tenants of its investment properties. Income is credited to the profit and loss account as space and other services are provided to customers. Gross property income includes costs recovered from tenants. Also included in gross property income are management fees paid by related companies in respect of management services provided by the company.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investment properties

In accordance with SSAP 19 investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006

1 Accounting policies (continued)

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.

Financial instruments

The company uses derivative financial instruments to hedge the exposures to fluctuations in interest rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts. Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument. Finance costs associated with debt issuance are charged to the profit and loss account over the life of the instruments.

Leased assets

All assets are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The group's contributions to certain employees' personal pension schemes are charged to the profit and loss account in the period in which they become payable.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

2 Property income

	2006 £
Rental income	8,678,431
Management fees from related companies	157,682
Other property income	344,622
	<hr/>
Gross property income	9,180,735
Less:	
Property costs	(515,077)
	<hr/>
Net property income	8,665,658
	<hr/>

3 Employees

The average number of persons (including executive directors) employed by the company during the period was:

	2006 Number
Administration	6
	<hr/>

The aggregate staff costs for the group and company were:

	2006 £
Wages and salaries	402,724
Social security costs	46,531
Other pension costs	35,090
	<hr/>
	484,345
	<hr/>

4 Directors Emoluments

	2006 £
Aggregate emoluments	328,739
Money purchase pension scheme contributions	27,951
	<hr/>

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

4 Directors Emoluments (continued)

Three directors had contributions paid into money purchase personal pension plans during the period.

Highest paid director

2006
£

Total amount of emoluments

127,438

Money purchase pension scheme contributions

12,000

5 Operating profit

2006
£

This has been arrived at after charging:

Amortisation of goodwill

69,863

Amortisation of finance costs

69,492

Auditors' remuneration - company

15,000

- group

30,000

Operating lease rental - property rental

47,625

Operating lease rental - other

24,608

6 Profit for the financial period

The company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the period includes a profit after tax of £292,489 in respect of the company.

7 Interest payable and similar charges

2006
£

Bank loan

6,253,857

Other loan

1,431,588

7,685,445

8 Taxation on profit from ordinary activities

2006
£

Current tax

UK corporation tax on profits of the year

-

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

8 Taxation on profit from ordinary activities (continued)

The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £
Profit on ordinary activities before tax	41,648
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	12,494
Effects of:	
Expenses not deductible for tax purposes	94,933
Capital allowances for year in excess of depreciation	(159,375)
Depreciation in excess of capital allowances	1,021
Unrelieved tax losses	29,968
Goodwill on consolidation	20,959
Current tax charge for period	-

9 Intangible assets

Group

	Goodwill on consolidation £
<i>Cost</i>	
Additions (note 18)	1,397,257
At 31 March 2006	1,397,257
<i>Amortisation</i>	
Charge for the year	69,863
At 31 March 2006	69,863
<i>Net book value</i>	
At 31 March 2006	1,327,394

Goodwill arising on the acquisition of the GPF portfolio is being amortised over its estimated useful economic life of 20 years.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (*Continued*)

10 Tangible assets

Group

	Investment Properties £
<i>Cost or valuation</i>	
Additions	165,341,684
Disposals	(14,350,000)
Revaluations	3,948,316
	<hr/>
<i>Net book value</i>	
At 31 March 2006	154,940,000
	<hr/>

The investment properties were revalued by the directors as at 31 March 2006.

The company does not hold any investment properties.

The historical cost net book value of investment properties is:

	Group 2006 £
Historical cost net book value	150,991,684
	<hr/>

11 Investments

Company

	Group undertakings £
<i>Cost</i>	
Additions	2
	<hr/>
<i>Net book value</i>	
At 31 March 2006	2
	<hr/>

The Group does not hold any investments in subsidiary undertakings.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (*Continued*)

11 Investments (*continued*)

The details of the principal subsidiary undertakings are set out below:

Company	Place of Incorporation	% of shares held	Principal activity
Sackville Property Investments Limited	England	100%	Holding company
GPF Investment Company Limited	Jersey	100% *	Property investment
Sackville Central Holdings Limited	England	100% *	Holding company
Sackville Nursing Homes Limited	England	100% **	Property investment
Sackville Properties (Basingstoke) Limited	England	100% **	Property investment
Sackville Properties (Barry) Limited	England	100% **	Property investment
Sackville Central Investments Limited	England	100% **	Property investment
Countryroad Investments Limited	Cayman	100% **	Property investment

The goodwill arising on consolidation is being amortised over 20 years.

* denotes companies held by Sackville Property Investments Limited.

** denotes companies held by Sackville Central Holdings Limited.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

12 Debtors

	Company 2006 £	Group 2006 £
Trade debtors	-	1,120,750
Amounts due from group companies	400,000	-
Amounts due from related companies	167,618	167,618
Taxation	14,112	-
Other debtors	149,615	429,419
Prepayments and accrued income	-	97,246
	<hr/>	<hr/>
	731,345	1,815,033
	<hr/>	<hr/>

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

13 Creditors: amounts falling due within one year

	Company 2006 £	Group 2006 £
Amounts due to group companies	700	-
Taxation and social security	-	425,732
Other creditors	51,800	401,587
Accruals	66,256	874,659
Deferred income	2,750	2,709,642
	<hr/>	<hr/>
	121,506	4,411,620
	<hr/>	<hr/>

14 Creditors: amounts falling due after more than one year

	Company 2006 £	Group 2006 £
Bank loans (secured)	-	121,386,642
Other loans (secured)	-	30,745,000
	<hr/>	<hr/>
	-	152,131,642
	<hr/>	<hr/>

The bank loan is secured on the company's freehold land and buildings.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (*Continued*)

14 Creditors: amounts falling due after more than one year (*continued*)

	Company		Group	
	2006 Bank loan £	2006 Other loan £	2006 Bank loan £	2006 Other loan £
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	-	-	-	-
Over five years	-	-	121,386,642	30,745,000
	-	-	121,386,642	30,745,000

Sackville Property Investments Limited

Included within other loans is a balance of £10,766,360, which represents a loan from the majority shareholder. The loan is repayable in full in one payment on 22 March 2012. The loan bears interest at 6% per annum with the interest payable quarterly

Sackville Central Holdings Limited

The purchase of the investment property portfolio, owned by the subsidiary companies of Sackville Central Holdings Limited, was funded by loans from Lloyds TSB Bank Plc and from the majority shareholder of the group.

The Lloyds TSB Bank Plc loan bears interest at 1.15% over LIBOR. However, this premium reduces over the life of the loan, currently the overall interest rate chargeable on the Lloyds TSB Bank Plc loan is 5.689%. The loan is repayable no later than 5 August 2012. Repayments can be made during the life of the loan as surplus cash is generated from the portfolio, either from rents or by property disposals. The loan requires agreed loan to value targets to be met over the life of the loan. The loan is secured against the properties owned by the subsidiary companies.

The shareholder loan of £19,245,000 is also secured against the property portfolio. The shareholder loan bears interest in line with the rate payable under the Lloyds TSB Bank Plc loan. No capital repayments of the shareholder loan principle are permitted until a loan to value test has been satisfied on the Lloyds TSB Bank Plc loan.

In order to mitigate the risks arising from interest rate changes, interest rate swap contracts have been entered into. The value of the base for the hedge is the Lloyds TSB Bank Plc loan after amortisation. The costs of the swaps have been included in the interest cost shown in the profit and loss account.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (*Continued*)

14 Creditors: amounts falling due after more than one year (*continued*)

GPF Investment Company Limited

The bank loan is secured by a fixed charge on the group's freehold land and buildings. It is redeemable at par on 22 March 2012. Interest is payable at a rate of LIBOR plus a margin of 1.15%. The company has entered into an interest rate swap that fixes the interest rate payable at 5.208% until 29 February 2008.

Included within other loans is a balance of £733,640, which represents a loan from the majority shareholder. The loan is secured by a charge on the group freehold land and buildings, subordinated to the bank loans. The shareholders' loan bears interest at 6% per annum is redeemable at par on 22 March 2012.

15 Provision for liabilities and charges

Group

	Deferred tax provision £
Acquired (see note 18)	540,429
At 31 March 2006	540,429

The deferred tax provision was included in the balance sheet of GPF Investment Company Limited at the date of acquisition by the group.

16 Share capital

	2006 Number	Authorised 2006 £
Ordinary shares of £1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
		Allotted, called up and fully paid
	2006 Number	2006 £
Ordinary shares of £1 each	500,000	500,000
	<u>500,000</u>	<u>500,000</u>

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

17 Reserves

	Company Profit and loss account £	Group Revaluation reserve £	Group Profit and loss account £
Retained profit for period	292,489	-	41,648
Unrealised surplus on revaluation of properties	-	3,948,316	-
At 31 March 2006	292,489	3,948,316	41,648

18 Acquisitions

During the year the company has acquired two property portfolios, the GPF Portfolio on 22 March 2005 and the Central Portfolio on 5 August 2005.

GPF Portfolio

The GPF Portfolio, comprising six offices and two industrial buildings, was acquired on 22 March 2005. The portfolio was acquired by way of a corporate acquisition of the holding company from Frogmore Property Company.

GPF Investment Company	Book value £	Revaluation £	Fair value £
Investment in properties	58,623,540	3,086,460	61,710,000
Debtors	616,512	(10,561)	605,951
Cash	1,231,885	-	1,231,885
Liabilities	(53,709,908)	-	(53,709,908)
Deferred tax	(540,429)	-	(540,429)
Net assets	6,221,600	3,075,899	9,297,499
Goodwill			1,397,257
Acquisition – Consideration in cash			10,694,756

The acquisition costs include all professional and valuation fees.

Immediately subsequent to the acquisition the existing debt was refinanced and replaced by the loans set out in note 14 above.

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

18 Acquisitions (continued)

Central Portfolio

The Central Portfolio was acquired by way of purchase of specific properties, with the exception of one property which was acquired by way of the acquisition of the owning company, Countryroad Investments Limited.

The acquisition of Countryroad Investments Limited can be summarised as follows:

	Net assets at 4 August £	Revaluations £	Loans prepaid £	Net assets on acquisitions £
Property	10,250,000	-	-	10,250,000
Current assets	1,832,494	-	(1,820,319)	12,175
Current liabilities	(8,163,379)	-	8,067,316	(96,063)
	<u>3,919,115</u>	<u>-</u>	<u>6,246,997</u>	<u>10,166,112</u>
Consideration				<u>10,166,112</u>

19 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2006 Other £	2006 Land and buildings £
Operating leases which expire:		
In two to five years	31,742	42,000

Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

20 Related party transactions

The Group has entered into various loan transactions with the majority shareholder of the company during the period. The key terms of the loans are summarised in note 12 above.

During the period, management charges amounting to £149,394 were charged to Sackville Property Developments Limited, a related company. At 31 March 2006, £167,618 was due from Sackville Property Developments Limited.

During the period, total fees of £554,304 were charged by Field Seymour Parkes, a legal firm in which I M Wood-Smith and J G Parkes are partners. At 31 March 2006, £5,500 was due to Field Seymour Parkes in respect of Company Secretarial fees.

21 Reconciliation of operating profit to net cash inflow from operating activities

	2006 £
Operating profit	7,724,200
Amortisation of goodwill	69,863
Amortisation of finance costs	69,492
Increase in debtors	(1,196,907)
Decrease in creditors	(2,516,016)
	<hr/>
Net cash inflow from operating activities	4,150,632
	<hr/>

22 Reconciliation of net cash flow to movements in net debt

	2006 £
Increase in cash in the period	3,491,228
Cash inflow from decrease in debt financing	(105,183,815)
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Movement in net debt resulting from cash flows	(101,692,587)
Loans acquired with subsidiary undertaking	(46,878,335)
Other non-cash changes in net debt	(69,492)
	<hr/>
Net debt at 31 March 2006	(148,640,414)
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Sackville Properties Limited (formerly Sackville Properties Plc and Sackville Properties (UK) Plc)

Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)

23 Analysis of changes in net debt

	Acquisitions £	Cash flows £	Non-cash movements £	At 31 March 2006 £
Cash at bank and in hand	1,231,885	2,259,343	-	3,491,228
Debt due within one year	(46,878,335)	46,878,335	-	-
Debt due after more than one year	-	(152,062,150)	(69,492)	(152,131,642)
		(105,183,815)	(69,492)	
	(45,646,450)	(102,924,472)	(69,492)	(148,640,414)

Non-cash movements of £69,492 represent the amortisation of financing costs.