

REGISTERED NUMBER: OC307893

PROTEGO REAL ESTATE INVESTORS LLP
MEMBERS' REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



PROTEGO REAL ESTATE INVESTORS LLP

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PROTEGO REAL ESTATE INVESTORS LLP

PARTNERSHIP INFORMATION

Members

Peder Smedvig Protego Limited
Iain Reid
Hugo Llewelyn
Charles Weeks
William Higgins
James Salmon

Registered Office

20 St James's Street
London
SW1A 1ES

Auditors

AGN Shipleys
Registered Auditors,
10 Orange Street,
Haymarket,
London WC2H 7DQ.

PROTEGO REAL ESTATE INVESTORS LLP

MEMBERS' REPORT

The members present their report together with the audited financial statements of the partnership for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The principal activity of Protego Real Estate Investors LLP is real estate investment management.

DESIGNATED MEMBERS

Peder Smedvig Protego Limited

Iain Reid

Hugo Llewelyn

Charles Weeks

William Higgins

James Salmon

(appointed 1 January 2005)

REVIEW OF THE BUSINESS AND RESULTS

The members are pleased with the results for the year and continue to expect further growth in the business in 2006.

POLICY WITH RESPECT TO MEMBERS' DRAWINGS

Profits are divided between the members in accordance with the members' agreement and money will only be drawn when the Limited Liability Partnership has sufficient funds to maintain and develop the business.

EMPLOYEES

It is the LLP's policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for the position, and wherever possible to retrain employees who become disabled, so that they can continue their employment in another position.

DONATIONS

Protego Real Estate Investors LLP made charitable donations of £597 (2004:£nil).

SUPPLIER PAYMENT POLICY

Protego Real Estate Investors LLP's policy is to settle payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Trade creditors of the LLP at 31 December 2005 were equivalent to 27 days' (2004: 60 days') purchases, based on the average daily amount invoiced by suppliers during the year.

PROTEGO REAL ESTATE INVESTORS LLP

MEMBERS' REPORT

GOING CONCERN

The Board considers that the financial resources available to Protego Real Estate Investors LLP are adequate to meet its operational needs for the foreseeable future. Consequently, the going concern basis has been adopted in preparing these financial statements.

STATEMENT OF MEMBERS' RESPONSIBILITIES

The Limited Liabilities Partnership (LLP) Regulations 2001 made under the Limited Liability Partnerships Act 2000 require the members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Protego Real Estate Investors LLP. In preparing these financial statements, the members are required to:

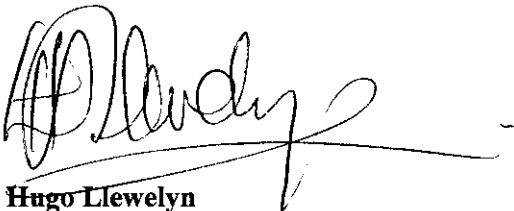
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under the LLP regulations 2001, the members are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the LLP and which enable them to ensure that the financial statements comply with those regulations. The members have a general responsibility for safeguarding the assets of the LLP and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint AGN Shipleys as auditors will be proposed at the Annual Members' Meeting.

ON BEHALF OF THE BOARD



Hugo Llewelyn

Designated member

27th April 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PROTEGO REAL ESTATE INVESTORS LLP**

We have audited the financial statements of for the year ended 31 December, 2005 which comprise the Profit and Loss Account, Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of members and auditors

As described in the Statement of Members' Responsibilities the members of the LLP are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Limited Liability Partnerships Regulations. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the Limited Liability Partnership 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 members' remuneration and transactions with the Limited Liability Partnership is not disclosed.

We read the Members' 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 judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Limited Liability Partnership'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
PROTEGO REAL ESTATE INVESTORS LLP**

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 Limited Liability Partnership's affairs as at 31 December, 2005 and of its profits for the period then ended and have been properly prepared in accordance with the Limited Liability Partnerships Regulations.



**AGN Shipleys
Registered Auditors
10 Orange Street
London
WC2H 7DQ**

28th April 2006

PROTEGO REAL ESTATE INVESTORS LLP

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER, 2005

	Notes	2005 £	2004 £
TURNOVER	1.2	1,979,953	977,821
ADMINISTRATIVE EXPENSES		<u>(1,578,168)</u>	<u>(518,644)</u>
OPERATING PROFIT	4	401,785	459,177
INTEREST RECEIVABLE AND SIMILAR INCOME		7,327	3,262
AVAILABLE FOR DIVISION AMONG MEMBERS		<u>£409,112</u>	<u>£462,439</u>

All of the partnership's activities in the above financial period derived from continuing operations.

The partnership has no recognised gains and losses other than the profit for the period.

The profit for the period has been calculated on the historical cost basis.

The notes on pages 9 to 13 form part of an integral part of these financial statements.

PROTEGO REAL ESTATE INVESTORS LLP

BALANCE SHEET

AS AT 31 DECEMBER, 2005

	Notes	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible	5		51,031		11,097
Investments	6		23,693		-
			<u>74,724</u>		<u>11,017</u>
CURRENT ASSETS					
Debtors	7	285,024		68,048	
Cash at bank and in hand		733,662		1,130,143	
		<u>1,018,686</u>		<u>1,198,191</u>	
CREDITORS: AMOUNTS FALLING DUE					
Within one year	8	<u>(189,523)</u>		<u>(151,022)</u>	
NET CURRENT ASSETS			<u>829,163</u>		<u>1,047,169</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			903,887		1,058,266
LOANS AND OTHER DEBTS OWED/(DUE)			<u>(103,487)</u>		<u>(139,628)</u>
NET ASSETS			<u>800,400</u>		<u>918,638</u>
MEMBERS' OTHER INTERESTS					
Members' capital	9		800,400		800,400
Other reserves	9		-		118,238
			<u>800,400</u>		<u>918,638</u>
TOTAL MEMBERS' INTERESTS					
Loans and other debts due to members'	9		103,487		139,628
Members' other interests	9		800,400		918,638
			<u>903,887</u>		<u>1,058,266</u>

Approved by the Members on 27th April 2006


Hugo Llewelyn - Designated member

The notes on pages 9 to 13 form an integral part of these financial statements.

PROTEGO REAL ESTATE INVESTORS LLP

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	10		235,137		544,472
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		<u>7,327</u>		<u>3,262</u>	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			7,327		3,262
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible assets		(51,760)		(13,418)	
Purchase of investments		<u>(23,693)</u>		<u>-</u>	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(75,453)		(13,418)
TRANSACTIONS WITH MEMBERS					
Payments to members		(563,491)		(204,573)	
Capital contributions by members		<u>-</u>		<u>800,400</u>	
NET CASH (OUTFLOW)/INFLOW FROM TRANSACTIONS WITH MEMBERS			<u>(563,491)</u>		<u>595,827</u>
(DECREASE)/ INCREASE IN CASH			<u>(£396,481)</u>		<u>£1,130,143</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	11				
(Decrease)/increase in cash in period			<u>(£396,481)</u>		<u>1,130,143</u>
Movement in net funds in the period			<u>(£396,481)</u>		<u>1,130,143</u>
Net funds at 31 December, 2005			<u>£733,662</u>		<u>£1,130,143</u>

The notes on pages 9 to 13 form an integral part of these financial statements.

PROTEGO REAL ESTATE INVESTORS LLP

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2005

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

1.2 Turnover

Turnover is the amount derived from ordinary trading activities and is stated net of trade discounts and valued added tax.

There are no separately identifiable business sectors and so no further disclosure of turnover has been made.

1.3 Taxation

Taxation payable on profits earned during the period is the personal liability of the members.

1.4 Depreciation

Depreciation is calculated to write down the cost of the cost less estimated residual value on all tangible fixed assets over their expected useful lives.

The rates used for depreciation are:

Computer equipment:	33.33% straight line
Fixtures & fittings:	25% reducing balance

1.5 Investments

Investments are stated at cost less provision for any impairment.

1.6 Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

1.7 Comparatives

The Limited Liability Partnership was incorporated and commenced trading on 6 May 2004. The comparatives show the results for the eight month period to 31 December 2004.

1.8 Pension Costs

The LLP has organised a Group Personal Pension for its employees. The LLP makes a contribution to each employees pension plan. The members have made their own arrangements.

PROTEGO REAL ESTATE INVESTORS LLP

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2005

2. INFORMATION IN RELATION TO MEMBERS

	Number 2005	Number 2004
The average number of members during the period was	6 ==	5 ==
Salaried remuneration of members	-	-
Paid under the terms of the LLP agreement	£417,123 =====	£204,573 =====
The amount of profit attributable to the member with the largest entitlement was	£240,167 =====	£143,090 =====

3. EMPLOYEES

The aggregate emoluments of the employees are shown below:-

	2005 £	2004 £
Wages and salaries	487,659	107,604
Social security	42,694	7,782
Pension costs	28,401 =====	6,762 =====
	£558,754 =====	£122,148 =====

The average number of employees during the period was:

	Number 2005	Number 2004
Administration	2	3
Professional staff	4 =====	 =====

4. OPERATING PROFIT

	2005 £	2004 £
Profit on ordinary activities is stated after charging:		
Auditors' remuneration - audit services	10,000	10,000
- other	14,840	14,000
Depreciation	11,827 =====	2,321 =====

PROTEGO REAL ESTATE INVESTORS LLP

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2005

5. TANGIBLE FIXED ASSETS

	Computer equipment	Fixtures & fittings	Total
Cost	£	£	£
At 1 January 2005	11,459	1,959	13,418
Additions	<u>38,545</u>	<u>13,216</u>	<u>51,761</u>
At 31 December, 2005	<u>£50,005</u>	<u>£15,175</u>	<u>£65,179</u>
Depreciation			
At 1 January 2005	£2,073	£248	£2,321
Charge for the period	<u>9,548</u>	<u>2,278</u>	<u>11,826</u>
At 31 December, 2005	<u>£11,621</u>	<u>£2,526</u>	<u>£14,147</u>
Net Book Value			
At 31 December, 2005	<u>£38,383</u>	<u>£12,648</u>	<u>£51,031</u>
At 31 December, 2004	<u>£9,386</u>	<u>£1,711</u>	<u>£11,097</u>

6. INVESTMENTS

	Other Investments £	Investment in group undertaking £	Total £
Cost and additions	13,687	10,006	23,693
Net book value at 31 December 2005	<u>£13,687</u>	<u>£10,006</u>	<u>£23,693</u>

Other investments are unquoted investments which are stated at cost.

Protego Real Estate Investors LLP subsidiary undertakings at 31st December, 2005 were as follows:-

Name	Country of Incorporation	Class of Shares Held	% Holding
Protego UK Property Fund Jersey No 3 Limited		Ordinary	100
Nayti Limited		Ordinary	100
Kingswinford		Ordinary	100

PROTEGO REAL ESTATE INVESTORS LLP

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2005

7. DEBTORS	2005	2004
	£	£
Trade debtors	61,007	-
Other debtors	4,760	5,139
Prepayments and accrued income	219,257	62,909
	<u>£285,024</u>	<u>£68,048</u>

8. CREDITORS : Amounts falling due within one year	2005	2004
	£	£
Trade creditors	115,934	85,659
Other creditors	37,135	2,905
Accruals and deferred income	36,454	62,458
	<u>£189,523</u>	<u>£151,022</u>

9. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTERESTS FOR THE PERIOD ENDED 31 DECEMBER, 2005

	Members' other interests			Loans and other debts due to/(from) members	Total
	Members'	Other	Total		
Amounts due to members	800,400	118,238	918,638	139,628	1,058,266
Less: amounts due from members	-	-	-	-	-
Members' interests at 1 January 2005	800,400	118,238	918,638	139,628	1,058,266
Profits for the financial year available for distribution	-	409,112	409,112	-	409,112
Members' interest after profit for the year	800,400	527,350	1,327,750	139,628	1,467,378
Allocated profits	-	(527,350)	(527,350)	527,350	-
Drawings	-	-	-	(563,492)	(563,492)
Amounts due to members	800,400	-	800,400	103,487	903,887
Less: amounts due from members	-	-	-	-	-
Members' interests at 31 December 2005	800,400	-	800,400	103,487	903,887

PROTEGO REAL ESTATE INVESTORS LLP

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2005

10. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating profit	401,785	459,177
Increase in debtors	(216,976)	(68,048)
Increase in creditors	38,500	151,022
Depreciation	<u>11,827</u>	<u>2,321</u>
Net cash inflow from operating activities	<u><u>£235,137</u></u>	<u><u>£544,472</u></u>

11. ANALYSIS OF CHANGES IN NET FUNDS

	At 31 December, 2004	Cash Flows	Non-cash changes	At 31 December, 2005
	£	£	£	£
Net funds	<u><u>£1,130,143</u></u>	<u><u>£(396,481)</u></u>	<u><u>£-</u></u>	<u><u>£733,662</u></u>

12. FINANCIAL COMMITMENTS

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005	Other	2004
	£		£
Leases which expire:			
Within one year	1,630		-
Between two and five years	340,225		-
After five years	380,512		
	<u><u>722,637</u></u>		<u><u>-</u></u>

13. DISCLOSURE OF CONTROL

The partnership is under the control of the members.

14. RELATED PARTY TRANSACTIONS

Peder Smedvig Protego Limited, the majority investor in Protego Real Estate Investors LLP, charges the LLP rent, a service charge for building work and management fees. The total invoiced during the period was £42,000 and at the period end the LLP owed £3,750.