

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

Report and Financial Statements

Period from incorporation on 21 November 2003 to 31 December 2004



DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Barry
S Gibson
I Solley
A Fullerton

SECRETARY

A Fullerton

REGISTERED OFFICE

Level 2
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

BANKERS

Anglo Irish Bank plc
10 Old Jewry
London
EC2R 8DN

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Edinburgh

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

DIRECTORS' REPORT

The directors present their annual report and financial statements for the period ended 31 December 2004.

INCORPORATION

The company was incorporated on 21 November 2003.

CHANGE OF ACCOUNTING REFERENCE DATE

During the course of the period the accounting reference date was changed from 30 November 2004 to December 2004 to 31 December 2004.

ACTIVITIES

The company is a holding company whose operating subsidiaries are involved in the business of property trading in the United Kingdom.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company continues to manage the properties owned by the subsidiary companies.

The directors are satisfied with the group's state of affairs and its future prospects.

RESULTS AND DIVIDENDS

The consolidated profit for the year after taxation amounted to £1,671,000. The directors do not recommend payment of a dividend and the profit for the year will be transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The Directors in office during the year to 31 December 2004 were as follows:

| | Appointed | Resigned |
|-------------|------------------|------------------|
| A Fullerton | 24 November 2003 | |
| R Barry | 24 November 2003 | |
| I Solley | 24 November 2003 | |
| S Gibson | 24 November 2003 | |
| F Fowlie | 21 November 2003 | 24 November 2003 |
| S Brown | 21 November 2003 | 24 November 2003 |

Directors' interests in the shares of the company are as follows:

| | 31 December 2004 |
|--|-----------------------------|
| Ordinary 'A' shares of 10p each | |
| R Barry | 456 |
| S Gibson | 354 |

| | 31 December 2004 |
|--|-----------------------------|
| Ordinary 'B' shares of 10p each | |
| A Fullerton | 100 |
| I Solley | 100 |

DIRECTORS' REPORT - continued

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



A Fullerton
Secretary

29 June 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 group and company as at the end of the financial year and of the profit or loss of the group for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

We have audited the financial statements of Dunedin Property Regional Office Fund Limited for the period ended 31 December 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 20. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information required by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh

27 June 2005

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Period from incorporation on 21 November 2003 to 31 December 2004

| | Note | 21 November 2003 to 31 December 2003 £000 |
|--|------|---|
| TURNOVER: Continuing operations | 2 | 103,792 |
| Cost of sales | | (92,685) |
| GROSS PROFIT | | 11,107 |
| Administrative expenses | | (217) |
| OPERATING PROFIT: Continuing operations | 3 | 10,890 |
| Interest receivable | 5 | 154 |
| Interest payable and similar charges | 6 | (8,657) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 2,387 |
| Tax on profit on ordinary activities | 7 | (716) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 1,671 |
| Minority interests | | - |
| RETAINED PROFIT FOR THE YEAR | 14 | 1,671 |

There were no recognised gains or losses in the year other than those included in the profit and loss account, accordingly no statement of total recognised gains and losses is prepared.

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2004

| | Note | 2004 £000 |
|--|------|-------------------|
| CURRENT ASSETS | | |
| Stocks | 9 | 167,222 |
| Debtors | 10 | 21,748 |
| Cash at bank and in hand | | 8,343 |
| | | <hr/> |
| | | 197,313 |
| CREDITORS: amounts falling due within one year | 11 | <hr/> (29,260) |
| NET CURRENT ASSETS | | 168,053 |
| CREDITORS: amounts falling due after more than one year | 12 | <hr/> (166,382) |
| NET ASSETS | | <hr/> <hr/> 1,671 |
| CAPITAL AND RESERVES | | |
| Called up share capital | 13 | - |
| Profit and loss account | 14 | 1,671 |
| Minority interests | | - |
| | | <hr/> |
| EQUITY SHAREHOLDERS' FUNDS | 14 | <hr/> <hr/> 1,671 |

These financial statements were approved by the Board of Directors on 29 June 2005.
Signed on behalf of the Board of Directors



A Fullerton
Director

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

COMPANY BALANCE SHEET 31 December 2004

| | Note | 2004 £000 |
|--|------|--------------|
| FIXED ASSETS | | |
| Investments | 8 | 11 |
| CURRENT ASSETS | | |
| Debtors | 10 | 80,909 |
| Cash at bank and in hand | | 6,801 |
| | | 87,710 |
| CREDITORS: amounts falling due within one year | 11 | (46,022) |
| NET CURRENT ASSETS | | 41,688 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 41,699 |
| CREDITORS: amounts falling due after more than one year | 12 | (41,818) |
| NET LIABILITIES | | (119) |
| CAPITAL AND RESERVES | | |
| Called up share capital | 13 | - |
| Profit and loss account | 14 | (119) |
| EQUITY SHAREHOLDERS' DEFICIT | 14 | (119) |

These financial statements were approved by the Board of Directors on *24 June* 2005.

Signed on behalf of the Board of Directors



A Fullerton
Director

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Period from incorporation on 21 November 2003 to 31 December 2004

| | Note | 2004 £000 | 2004 £000 |
|---|------|--------------|--------------|
| Net cash outflow from operating activities | 15 | | (151,225) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 154 | |
| Interest paid | | (8,215) | |
| | | | (8,061) |
| Net cash outflow before financing | | | (159,286) |
| Financing | | | |
| Bank loans drawn down | 17 | | 167,269 |
| Increase in cash | | | 8,343 |

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings.

Turnover

Turnover represents the total amount received by the group in the ordinary course of business for rental income excluding value added tax and proceeds on disposals of stock properties.

Stock

Stock of trading properties is stated at the lower of cost or net realisable value. Cost represents original purchase price plus subsequent expenditure to improve the realisable value of the properties.

Investments

Investments are included at cost less impairment.

Taxation

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Operating lease

Rentals under operating leases are charged on a straight line basis over the lease term even if the payments are not made on that basis.

Financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate risk movements. The group does not hold or issue derivative financial instruments for speculative purposes.

2. TURNOVER

Turnover is attributable to income generated from the trading properties. Turnover represents disposal proceeds of stock properties and rental income. All income is generated in the United Kingdom.

3. OPERATING PROFIT

| | |
|-------------------------------------|--|
| | 21 November 2003 to 31 December 2004 £000 |
| This is stated after charging: | |
| Auditors' remuneration – audit fees | 24 |
| Non audit fees | 6 |
| Rent payable | 33 |
| | <hr/> <hr/> |

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

4. DIRECTORS AND EMPLOYEES

No director received emoluments from the company during the current or prior period.

The directors received remuneration from Dunedin Property Asset Management Limited, a related company, for services to Dunedin Property Regional Office Fund Limited.

There were no employees during the current period.

5. INTEREST RECEIVABLE

| | 21 November 2003 to 31 December 2004 £000 |
|--------------------------|---|
| Bank interest receivable | 154 |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 21 November 2003 to 31 December 2004 £000 |
|----------------------------------|---|
| Bank loans and overdrafts | 8,213 |
| Amortisation of arrangement fees | 442 |
| Bank charges | 2 |
| | <u>8,657</u> |

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current period does not differ from the standard rate.

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

8. INVESTMENTS

| | £000 |
|--|-------|
| Shares in subsidiary undertakings | |
| Balance on incorporation at 21 November 2003 | - |
| Additions | 11 |
| | <hr/> |
| Balance at 31 December 2004 | 11 |
| | <hr/> |

The Company owns 100% of the issued ordinary share capital of the principal subsidiary undertakings set out below:

| Subsidiary Undertakings | Country of incorporation/ registration | Activity |
|--------------------------------|---|------------------|
| DPROF (Uxbridge) Limited | England | Property Trading |
| DPROF (Milton Keynes) Limited | England | Property Trading |
| DPROF (Bristol) Limited | England | Property Trading |
| DPROF (Norwich) Limited | England | Property Trading |
| DPROF (Gloucester) Limited | England | Property Trading |
| DPROF (Banbury) Limited | England | Property Trading |
| DPROF (Birmingham) Limited | England | Property Trading |
| DPROF (Quay Place) Limited | England | Property Trading |
| DPROF (Crawley) Limited | England | Property Trading |
| DPROF (Uddingston) Limited | England | Property Trading |
| DPROF (Liverpool) Limited | England | Property Trading |
| DPROF (Clacton) Limited | England | Property Trading |
| DPROF (Bletchley) Limited | England | Property Trading |
| DPROF (Chepstow) Limited | England | Property Trading |
| DPROF (Hinckley) Limited | England | Property Trading |
| DPROF (Kidderminster) Limited | England | Property Trading |
| DPROF (Middlesbrough) Limited | England | Property Trading |
| DPROF (Nottingham) Limited | England | Property Trading |
| DPROF (Sheffield) Limited | England | Property Trading |
| DPROF (Tolworth) Limited | England | Property Trading |

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

8. INVESTMENTS (CONTINUED)

The Company owns 98.8% of the issued ordinary share capital of the principal subsidiary undertakings set out below:

| Subsidiary Undertakings | Minority Interest | Country of incorporation/ registration | Activity |
|---------------------------------|-----------------------------------|---|------------------|
| DPROF (Aldermans House) Limited | Hilstone (Aldermans) Ltd | England | Property Trading |
| DPROF (Colchester) Limited | Hilstone (Colchester) Ltd | England | Property Trading |
| DPROF (Bishopsgate) Limited | Hilstone (Bishopsgate) Ltd | England | Property Trading |
| DPROF (Colindale) Limited | Hilstone (Merit House) Ltd | England | Property Trading |
| DPROF (Dumbarton) Limited | Vico (Dumbarton) Ltd | England | Property Trading |
| DPROF (Forum House) Limited | Hilstone (Forum) Ltd | England | Property Trading |
| DPROF (Luton) Limited | Hilstone (Luton) Ltd | England | Property Trading |
| DPROF (Wood Green) Limited | Hilstone (Wood Green) Ltd | England | Property Trading |
| DPROF (Yeovil) Limited | Hilstone Asset Management Limited | England | Property Trading |
| DPROF (Dartford) Limited | Crossways 3065 Limited | England | Property Trading |
| DPROF (Hemel Hempstead) Limited | Gazeley Active Management Limited | England | Property Trading |

The minority holdings are held by the minority interest companies shown above who own 0.2% of the issued share capital of the respective DPROF companies named above.

9. STOCK

| | 2004 £000 |
|---|----------------------|
| Properties held for development or resale | |
| At 21 November 2003 | - |
| Additions | 257,829 |
| Disposals | (90,607) |
| At 31 December 2004 | <u>167,222</u> |

10. DEBTORS

| | 2004 | |
|--|-----------------------|-------------------------|
| | Group £000 | Company £000 |
| Trade debtors | 5,605 | 7 |
| Amounts due from related companies | 15,839 | 15,661 |
| Amounts due from subsidiary undertakings | - | 64,976 |
| Other taxation and social security | 304 | 265 |
| | <u>21,748</u> | <u>80,909</u> |

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

11. CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

| | 2004 | |
|--|---------------|---------------|
| | Group | Company |
| | £000 | £000 |
| Banks loans (see note 12) | 1,689 | - |
| Trade creditors | 6,306 | 302 |
| Amounts due to subsidiary undertakings | - | 26,162 |
| Amounts due to related companies | 15,403 | 15,402 |
| Sundry creditors and accruals | 4,678 | 4,131 |
| Corporation tax | 716 | 25 |
| Other taxation and social security | 468 | - |
| | <u>29,260</u> | <u>46,022</u> |

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2004 | |
|------------------------------|----------------|---------------|
| | Group | Company |
| | £000 | £000 |
| Bank loans | 162,325 | 37,761 |
| Associated company loan | 4,057 | 4,057 |
| | <u>166,382</u> | <u>41,818</u> |
| Analysis of loan repayments: | | |
| Within one year | 1,689 | - |
| Between one and two years | 1,880 | - |
| Between two and five years | 165,048 | 41,818 |
| | <u>168,617</u> | <u>41,818</u> |
| Unamortised arrangement fees | (546) | - |
| | <u>168,071</u> | <u>41,818</u> |

The bank loans are secured by a first mortgage over the stock properties and floating charge over the company's other assets.

13. SHARE CAPITAL

| | 2004 |
|---|------------|
| | £ |
| Authorised: | |
| 800 'A' preferred ordinary shares of 10p each | 80 |
| 200 'B' ordinary shares of 10p each | 20 |
| | <u>100</u> |
| Allotted and fully paid: | |
| 800 'A' preferred ordinary shares of 10p each | 80 |
| 200 'B' ordinary shares of 10p each | 20 |
| | <u>100</u> |

On incorporation 800 'A' preferred ordinary shares and 200 'B' ordinary shares of 10p each were issued. There are no voting rights attached to the 'B' shares.

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

14. STATEMENT OF MOVEMENT ON RESERVES AND SHAREHOLDERS' FUNDS

| | Share capital £000 | Profit and loss account £000 | Total £000 |
|---------------------|--------------------------|---------------------------------------|---------------|
| Group | | | |
| At 21 November 2003 | - | - | - |
| Profit for year | - | 1,671 | 1,671 |
| | <u>-</u> | <u>1,671</u> | <u>1,671</u> |
| At 31 December 2004 | - | 1,671 | 1,671 |
| | <u>-</u> | <u>1,671</u> | <u>1,671</u> |
| Company | | | |
| At 21 November 2003 | - | - | - |
| Loss for year | - | (119) | (119) |
| | <u>-</u> | <u>(119)</u> | <u>(119)</u> |
| At 31 December 2004 | - | (119) | (119) |
| | <u>-</u> | <u>(119)</u> | <u>(119)</u> |

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 2004 £000 |
|--|------------------|
| Operating profit | 10,890 |
| (Increase) / decrease in stock | (167,222) |
| (Increase) / decrease in debtors | (21,748) |
| Increase / (decrease) in creditors | 26,855 |
| | <u>26,855</u> |
| Net cash outflow from operating activities | <u>(151,225)</u> |

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2004 £000 |
|--|------------------|
| Increase in cash | 8,343 |
| Bank loans drawn down net of arrangement fees | (167,629) |
| | <u>(167,629)</u> |
| Change in net debt resulting from cash flows (note 17) | (159,286) |
| Amortised arrangement fees | (442) |
| Movement in net debt in the period (note 17) | (159,728) |
| Net debt at start of period | - |
| | <u>-</u> |
| Net debt at end of period | <u>(159,728)</u> |

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

17. ANALYSIS OF CHANGES IN NET DEBT

| | At 21 November 2003 £000 | Cash Flow £000 | Non cash changes £000 | At 31 December 2004 £000 |
|-----------------------------------|-----------------------------------|----------------------|-----------------------------|-----------------------------------|
| Cash at bank and in hand | - | 8,343 | - | 8,343 |
| Debt due within one year | - | (1,689) | - | (1,689) |
| Debt due after more than one year | - | (165,940) | (442) | (166,382) |
| | - | (167,629) | (442) | (168,071) |
| Total | - | (159,286) | (442) | (159,728) |

18. CAPITAL AND OTHER FINANCIAL COMMITMENTS

The group has annual commitments for property rental payments as follows:

| | 2004 £000 |
|--|--------------|
| Leases which expire after more than five years | 115 |

19. RELATED PARTY TRANSACTIONS

During the year, the company and group paid asset management fees to the following company, in which certain directors have an ownership interest.

| | 2004 Group £000 |
|---|-----------------------|
| Dunedin Property Asset Management Limited | 175 |

DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 21 November 2003 to 31 December 2004

19. RELATED PARTY TRANSACTIONS (CONTINUED)

At 31 December 2004 the following amounts were receivable / (payable) to related parties:

| | 2004 Group £000 | 2004 Company £000 |
|--|-----------------------|-------------------------|
| DPRF (Stretford) Limited | 1 | - |
| Dunedin Property Limited | 755 | 755 |
| Dunedin Property Investment Company Limited | 436 | 436 |
| Dunedin Property Office Fund Limited | 14,647 | 14,647 |
| Dunedin Property Asset Management Limited | (1) | - |
| Dunedin Property Office Fund (Moorgate) Limited | (27) | (27) |
| Dunedin Property Office Fund (SMH) Limited | (8) | (8) |
| Dunedin Property Office Fund (Jermyn Street) Limited | (15,367) | (15,367) |
| | <u>436</u> | <u>436</u> |

At 31 December 2004 the company had a loan outstanding with Dunedin Property Investment Company Limited of £4,057,415.

The company has relied upon the exemption available in Financial Reporting Standard No. 8 not to make disclosure of transactions with other group companies.

20. CONTINGENT LIABILITIES

The shareholder agreement states that a redemption premium will accrue to the A preferred ordinary shareholders on the sale of the properties should any gain on sale exceed a specified threshold. It is not possible to determine if the redemption premium will be payable or if there will be sufficient profits to pay the redemption premium and so no provision for the premium has been made in the accounts.