

**DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED**

**Report and Financial Statements**

**31 December 2005**



# **DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# **DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

R Barry  
S Gibson  
I Solley  
A Fullerton

### **SECRETARY**

A Fullerton

### **REGISTERED OFFICE**

22 Rutland Street  
Edinburgh  
EH1 2AN

### **BANKERS**

Anglo Irish Bank Plc  
10 Old Jewry  
London  
EC2R 8DN

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

### **INDEPENDENT AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants & Registered Auditors  
Edinburgh

## **DIRECTORS' REPORT**

The directors present their annual report and the audited consolidated financial statements of the company and its subsidiary undertakings (together "the group") for the year to 31 December 2005

### **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**

On 26 May 2006 the property held within DPROF (Forum House) Ltd was sold. Also on 16 August 2006 the property held within DPROF (Dumbarton) Ltd was sold. The group continues to manage the remaining property 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 £2,586,000 (2004 £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 and to the date of this report were as follows:

R Barry  
A Fullerton  
S Gibson  
I Solley

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

	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Ordinary 'A' shares of 10p each</b>		
R Barry	456	456
S Gibson	344	344

	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Ordinary 'B' shares of 10p each</b>		
A Fullerton	100	100
I Solley	100	100

### **RISK MANAGEMENT POLICY**

The principal financial risks that the group is exposed to and manages are as follows:

#### **Credit risk**

Credit risk is the risk arising from the possibility that the group will incur losses from the failure of customers to meet their obligations.

- Risk is monitored on a periodic basis by the board.
- Customers with emerging credit problems are identified early and classified accordingly. Remedial action is then implemented promptly to minimise any potential loss.

**DIRECTORS' REPORT (continued)**

**RISK MANAGEMENT POLICY (continued)**

**Liquidity risk**

Liquidity risk is the risk arising that the group is unable to meet its obligations as they fall due

- The liquidity of the group is managed on a daily basis to ensure that any contractual cash flow obligations, and potential cash flows arising from undrawn commitments and other contingent obligations, can be met as they arise

**Market risk**

The group is exposed to market risk because of positions held in respect of interest rate risk

- The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes
- For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts

**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

Approved by the Board of Directors  
and signed by order of the Board



A Fullerton  
Secretary  
30 October 2006

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements. The directors have chosen to prepare the financial statements for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP')

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the group and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent,
- c) state whether applicable accounting standards have been followed, and
- d) 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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 group and individual company financial statements ("the financial statements") of Dunedin Property Regional Office Fund Limited for the year to 31 December 2005 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes 1 to 23. 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**

The directors' responsibilities for preparing the Annual Report and 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 United Kingdom 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 in accordance with the relevant financial reporting framework 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 specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and individual company's affairs as at 31 December 2005 and of the profit of the group for the year to 31 December 2005, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Edinburgh  
United Kingdom  
30 October 2006

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2005

	Note	2005 £000	Period from 21 November 2003 to 31 December 2004 Restated (note 1) £000
<b>TURNOVER: Continuing operations</b>	2	158,082	106,692
Cost of sales		(140,791)	(95,585)
<b>GROSS PROFIT</b>		17,291	11,107
Administrative expenses		(387)	(217)
<b>OPERATING PROFIT: Continuing operations</b>	3	16,904	10,890
Interest receivable and other income	5	245	154
Interest payable and similar charges	6	(13,449)	(8,657)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,700	2,387
Tax on profit on ordinary activities	7	(1,114)	(716)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		2,586	1,671
Minority interests			
<b>PROFIT FOR THE PERIOD</b>	14	2,586	1,671

There were no recognised gains or losses for the year other than those included in the profit and loss account, so no statement of total recognised gains and losses is presented



# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	2005 £000	2004 £000
<b>CURRENT ASSETS</b>			
Stocks	9	37,270	167,222
Debtors	10	6,220	21,748
Cash at bank and in hand		6,260	8,343
		<u>49,750</u>	<u>197,313</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(9,460)</u>	<u>(29,260)</u>
<b>NET CURRENT ASSETS</b>		40,290	168,053
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(36,033)</u>	<u>(166,382)</u>
<b>NET ASSETS</b>		<u>4,257</u>	<u>1,671</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13		
Profit and loss account	14	<u>4,257</u>	<u>1,671</u>
<b>SHAREHOLDERS' FUNDS</b>	14	4,257	1,671
Minority interests		<u></u>	<u></u>
<b>TOTAL EQUITY</b>		<u>4,257</u>	<u>1,671</u>

These financial statements were approved by the Board of Directors on 30 October 2006

Signed on behalf of the Board of Directors



A Fullerton  
Director

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## COMPANY BALANCE SHEET

As at 31 December 2005

	Note	2005 £000	2004 £000
<b>FIXED ASSETS</b>			
Investments	8	11	11
<b>CURRENT ASSETS</b>			
Debtors	10	11,678	80,909
Cash at bank and in hand		6,260	6,801
		17,938	87,710
<b>CREDITORS: amounts falling due within one year</b>	11	(12,069)	(46,022)
<b>NET CURRENT ASSETS</b>		5,869	41,688
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,880	41,699
<b>CREDITORS: amounts falling due after more than one year</b>	12	(8,115)	(41,818)
<b>NET LIABILITIES</b>		(2,235)	(119)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13		
Profit and loss account	14	(2,235)	(119)
<b>SHAREHOLDERS' DEFICIT</b>	14	(2,235)	(119)

These financial statements were approved by the Board of Directors on 30<sup>th</sup> October 2006

Signed on behalf of the Board of Directors



A Fullerton  
Director

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2005

	Note	2005 £000	2004 £000
<b>Net cash inflow / (outflow) from operating activities</b>	15	<u>140,653</u>	<u>(151,225)</u>
<b>Return on investments and servicing of finance</b>			
Interest received		245	154
Interest paid		<u>(8,267)</u>	<u>(8,215)</u>
		<u>(8,022)</u>	<u>(8,061)</u>
<b>Taxation</b>			
UK Corporation tax paid		<u>(2,220)</u>	
<b>Net cash inflow / (outflow) before financing</b>		<u>130,411</u>	<u>(159,286)</u>
<b>Financing</b>			
Repayment of loans	16	<u>(132,494)</u>	
Bank loans drawn down	16		<u>167,629</u>
<b>Net cash (outflow)/inflow from financing activities</b>		<u>(132,494)</u>	<u>167,629</u>
<b>(Decrease) / increase in cash</b>	17	<u><u>(2,083)</u></u>	<u><u>8,343</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the period.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year.

**Turnover**

Turnover represents the total amount received by the group in the ordinary course of business for disposal proceeds from stock properties sold during the year and rental income excluding value added tax.

During the year the Group has changed its accounting policy for service charge income. Previously service charge income was netted against expenses in the financial statements. The directors consider that presenting service charge income and expenditure gross in the financial statements more accurately reflects the substance of the transactions. This policy is consistent with the requirements of Application Note G to Financial Reporting Standard 5 "Reporting the substance of transactions". The effect of this change in policy was an increase to both turnover and cost of sales in 2005 of £3,957k and in 2004 of £2,900k. This has no effect on the reported profit for either period.

**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. Net realisable value represents the current market value of the properties less estimated costs of sale.

**Investments**

Investments are included at cost, less provision for any impairment.

**Capital instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset. An instrument is classified as equity if it evidences a residual interest in the assets of the company after deduction of liabilities.

**Derivative financial instruments**

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

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is market to market and any resulting profit or loss recognised at that time.

**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.

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2005

### 2. TURNOVER

Turnover is attributable to rental and service charge income generated by the trading properties and disposal proceeds of stock properties sold in the year. All income is derived in the United Kingdom.

	Period from 21 November 2003 to 31 December 2004 Restated	
	2005 £000	(note 1) £000
Rental income	10,925	6,964
Property sales	143,200	96,828
Service charge income	3,957	2,900
	<u>158,082</u>	<u>106,692</u>

### 3. OPERATING PROFIT

	Period from 21 November 2003 to 31 December 2004	
	2005 £000	2004 £000
<b>Operating profit is stated after charging:</b>		
Auditors' remuneration – audit fees	87	24
Asset management fee	251	6
Rent payable	<u>172</u>	<u>33</u>

### 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 companies including Dunedin Property Regional Office Fund Limited and it is not considered practical to make any apportionment in respect of their services to the company.

There were no other employees during the current or prior period.

### 5. INTEREST RECEIVABLE AND OTHER INCOME

	Period from 21 November 2003 to 31 December 2004	
	2005 £000	2004 £000
Bank interest receivable	241	154
Tenant interest receivable	<u>4</u>	<u></u>
	<u>245</u>	<u>154</u>

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2005

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 21 November 2003 to 31 December	
	2005	2004
	£000	£000
Bank loans and overdrafts	12,808	8,213
Bank charges	26	2
Amortisation of arrangement fees	615	442
	<u>13,449</u>	<u>8,657</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period from 21 November 2003 to 31 December	
	2005	2004
	£000	£000
<b>Current Tax</b>		
Corporation tax charge	<u>1,114</u>	<u>716</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax, is 30% (2004 30%) The actual tax charge for the current year differs from the standard rate for the reasons set out in the following reconciliation

	Period from 21 November 2003 to 31 December	
	2005	2004
	£000	£000
Profit on ordinary activities before tax	<u>3,700</u>	<u>2,387</u>
Tax on profit on ordinary activities at standard rate	1,110	716
<i>Factors affecting charge for the period</i>		
Costs outwith scope of tax	<u>4</u>	
Total actual amount of current tax	<u>1,114</u>	<u>716</u>

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2005

### 8. INVESTMENTS

	2005 £000	2004 £000
Shares in subsidiary undertakings at cost	11	11

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

Subsidiary Undertakings	Country of 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

The Company owns 99.8% of the issued ordinary share capital of the subsidiary undertakings set out below

Subsidiary Undertakings	Minority Interest	Country of registration	Activity
DPROF (Aldermans House) Limited	Hilstone (Aldermans) Limited	England	Property Trading
DPROF (Colchester) Limited	Hilstone (Colchester) Limited	England	Property Trading
DPROF (Bishopsgate) Limited	Hilstone (Bishopsgate) Limited	England	Property Trading
DPROF (Colindale) Limited	Hilstone (Merit House) Limited	England	Property Trading
DPROF (Dumbarton) Limited	Vico (Dumbarton) Limited	England	Property Trading
DPROF (Forum House) Limited	Hilstone (Forum) Limited	England	Property Trading
DPROF (Luton) Limited	Hilstone (Luton) Limited	England	Property Trading
DPROF (Wood Green) Limited	Hilstone (Wood Green) Limited	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 interests hold 0.2% of the issued share capital of the respective DPROF companies named above

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2005

### 9. STOCKS

	2005 £000	2004 £000
Properties held for development or resale		
At 1 January	167,222	
Additions	1,338	257,829
Disposals	(131,290)	(90,607)
At 31 December	<u>37,270</u>	<u>167,222</u>

### 10. DEBTORS

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	4,853	1,302	5,605	7
Amounts due from related companies (note 19)	536	536	15,839	15,661
Amounts due from subsidiary companies		9,511		64,976
Other taxation and social security	441	305	304	265
Corporation tax	390	24		
	<u>6,220</u>	<u>11,678</u>	<u>21,748</u>	<u>80,909</u>

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Bank loans (note 12)	159		1,689	
Trade creditors	3,295	7	6,306	302
Amounts due to subsidiary undertakings		7,315		26,162
Amounts due to related companies (note 19)	43	43	15,403	15,402
Sundry creditors and accruals	5,291	4,704	4,678	4,131
Other creditors including taxation and social security	672		468	25
Corporation tax			716	
	<u>9,460</u>	<u>12,069</u>	<u>29,260</u>	<u>46,022</u>



# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2005

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

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Bank loan	27,918		158,267	33,703
Loan notes	8,115	8,115	8,115	8,115
	<u>36,033</u>	<u>8,115</u>	<u>166,382</u>	<u>41,818</u>
Analysis of bank loan and loan note repayments				
Within one year	200		1,689	
Between one and two years	200		1,880	
Between two and five years	35,914	8,115	165,048	41,818
	<u>36,314</u>	<u>8,115</u>	<u>168,617</u>	<u>41,818</u>
Unamortised arrangement fee	(122)		(546)	
	<u>36,192</u>	<u>8,115</u>	<u>168,071</u>	<u>41,818</u>

The bank loan are secured by a first mortgage over the stock properties and floating charge over the group's other assets. The bank loan carries interest at a variable rate 1.5% above LIBOR, and is repayable at the earlier of the sale of the group's property or 17 May 2009.

The zero coupon loan notes are subordinated to the bank loan and are repayable on sale of the group's property.

### 13. SHARE CAPITAL

	2005 £	2004 £
<b>Authorised</b>		
800 Ordinary 'A' shares of 10p each	80	80
200 Ordinary 'B' shares of 10p each	20	20
	<u>100</u>	<u>100</u>
<b>Called up, allotted and fully paid</b>		
800 Ordinary 'A' shares of 10p each	80	80
200 Ordinary 'B' shares of 10p each	20	20
	<u>100</u>	<u>100</u>

The two classes of shares have the same rights attached, except in the case of voting rights, whereby only 'A' class shareholders can vote.

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2005

### 14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS / (DEFICIT)

	Share capital £000	Profit & loss account £000	Total shareholders' funds / (deficit) £000
<b>Group</b>			
As at 31 December 2004		1,671	1,671
Profit for the year		2,586	2,586
		<u>4,257</u>	<u>4,257</u>
As at 31 December 2005		<u>4,257</u>	<u>4,257</u>
<b>Company</b>			
As at 31 December 2004		(119)	(119)
Loss for the year		(2,116)	(2,116)
		<u>(2,235)</u>	<u>(2,235)</u>
At 31 December 2005		<u>(2,235)</u>	<u>(2,235)</u>

### 15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	2005 £000	2004 £000
Operating profit	16,904	10,890
Decrease / (increase) in stock	129,952	(167,222)
Decrease / (increase) in debtors	15,918	(21,748)
(Decrease) / increase in creditors	(22,121)	26,855
	<u>140,653</u>	<u>(151,225)</u>
Net cash inflow / (outflow) from operating activities	<u>140,653</u>	<u>(151,225)</u>

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

	2005 £000	2004 £000
(Decrease) / increase in cash	(2,083)	8,343
Repayment of loans	132,494	
Bank loans drawn down net of arrangement fees		(167,629)
	<u>130,411</u>	<u>(159,286)</u>
Change in net debt resulting from cash flows	(615)	(442)
Amortised arrangement fees		
	<u>129,796</u>	<u>(159,728)</u>
Movement in net debt in the period	<u>129,796</u>	<u>(159,728)</u>
Net debt at start of period	(159,728)	
	<u>(29,932)</u>	<u>(159,728)</u>
Net debt at end of period	<u>(29,932)</u>	<u>(159,728)</u>

# DUNEDIN PROPERTY REGIONAL OFFICE FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2005

### 17. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2005 £000	Cash flow £000	Non cash changes £000	At 31 December 2005 £000
Cash at bank and in hand	8,343	(2,083)		6,260
Debt due within one year	(1,689)	1,530		(159)
Debt due after more than one year	(166,382)	130,964	(615)	(36,033)
Total	(168,071)	132,494	(615)	(36,192)
Net debt	(159,728)	130,411	(615)	(29,932)

### 18. OPERATING LEASES

The group has annual commitments for property rental payments as follows

	2005 £000	2004 £000
Leases which expire after more than five years		115

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2005**

**19. RELATED PARTY TRANSACTIONS**

During the period the company and group engaged in certain transactions with the following companies, in which certain directors have an ownership interest

<b>Group</b>			
<b>Related party transactions in which directors have a certain ownership interest</b>	<b>Nature of transaction</b>	<b>2005 £000</b>	<b>2004 £000</b>
Dunedin Property Asset Management Limited	Management fees	251	175
DPRF (Stretford) Limited	Movement in related party loans	(1)	1
Dunedin Property Limited	Movement in related party loans	(655)	755
Dunedin Property Office Fund Limited	Movement in related party loans	(14,647)	14,647
Dunedin Property Office Fund Limited	Compensating tax payment	16	16
DPOF (Jermyn Street) Limited	Compensating tax payment	21	21
DPRF (Shrewsbury) Limited	Compensating tax payment	8	8
Dunedin Property Asset Management Limited	Movement in related party loans	1	(1)
Dunedin Property Office Fund (Moorgate) Limited	Movement in related party loans	27	(27)
Dunedin Property Office Fund (SMH) Limited	Movement in related party loans	5	(5)
Dunedin Property Office Fund (Jermyn Street) Limited	Movement in related party loans	15,367	(15,367)
Dunedin Property Industrial Fund Limited	Movement in related party loans	1,300	
South Gyle Property Investments Limited	Movement in related party loans	(2)	

<b>Company</b>			
<b>Related party transactions in which directors have a certain ownership interest</b>	<b>Nature of transaction</b>	<b>2005 £000</b>	<b>2004 £000</b>
Dunedin Property Asset Management Limited	Management fees	251	175
Dunedin Property Limited	Movement in related party loans	(655)	755
Dunedin Property Office Fund Limited	Movement in related party loans	(14,647)	14,647
Dunedin Property Office Fund Limited	Compensating tax payment	16	16
DPOF (Jermyn Street) Limited	Compensating tax payment	21	21
DPRF (Shrewsbury) Limited	Compensating tax payment	5	5
Dunedin Property Office Fund (Moorgate) Limited	Movement in related party loans	27	(27)
Dunedin Property Office Fund (SMH) Limited	Movement in related party loans	8	(8)
Dunedin Property Office Fund (Jermyn Street) Limited	Movement in related party loans	15,367	(15,367)
Dunedin Property Industrial Fund Limited	Movement in related party loans	1,300	
South Gyle Property Investments Limited	Movement in related party loans	(2)	

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2005**

**19. RELATED PARTY TRANSACTIONS (continued)**

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

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
DPRF (Stretford) Limited			1	
Dunedin Property Limited	100	100	755	755
Dunedin Property Investment Company Limited	436	436	436	436
Dunedin Property Office Fund Limited	(16)	(16)	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	(21)	(21)	(15,367)	(15,367)
South Gyle Property Investments Limited	(2)	(2)		
DPRF (Shrewsbury) Limited	(4)	(4)		
	<u>493</u>	<u>493</u>	<u>436</u>	<u>436</u>

At 31 December 2005 the company had loan notes outstanding with Dunedin Property Investment Company Limited of £4,057,415 (2004 £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' 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.

**21. DERIVATIVE FINANCIAL INSTRUMENTS**

The group uses the following derivative financial instruments to hedge against interest rate risk in line with the risk management policies described in the directors' report.

	2005		2004	
	Notional amounts £'000	Fair value £'000	Notional amounts £'000	Fair value £'000
Interest rate swaps	28,250	(393)	50,660	(504)
Interest rate cap	7,800	7	7,800	30
	<u>36,050</u>	<u>(386)</u>	<u>58,460</u>	<u>(474)</u>

Derivative financial instruments are held off balance sheet as the company does not apply hedge accounting under FRS 26.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2005**

**22 PROFIT OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the year ended 31 December 2005 amounted to £2,116,000 (2004 profit £84,000).

**23 POST BALANCE SHEET EVENTS**

On 26 May 2006 the property held within DPROF (Forum House) Ltd was sold. Also on 16 August 2006 the property held within DPROF (Dumbarton) Ltd was sold. Both properties were sold at a gain.