

TEP Management Services Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 July 2006



Company Registration No. 717607

TEP Management Services Limited

COMPANY INFORMATION

DIRECTORS

LRJ Portnoi
DR Arnold LLB (Hons)
N Bruce Copp OBE
Professor RM Abbey BA (Hons)
S Goldsmith ACA
SD Rosenbaum BA (Hons)

SECRETARY

S Goldsmith ACA

REGISTERED OFFICE

TIS House
Spring Villa Park
Edgware
Middlesex HA8 7EG

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BUSINESS ADDRESS

TIS House
Spring Villa Park
Edgware
Middlesex HA8 7EG

BANKERS

Barclays Bank plc
Head Office Branch
One Churchill Place
London E14 5HP

TEP Management Services Limited

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TEP Management Services Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of TEP Management Services Limited for the year ended 31 July 2006.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be that of the provision of management, consultancy and valuation services.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied with the company's results for the year. The directors anticipate that the market for portfolio valuations will continue to grow and that the company's performance will reflect this.

DIVIDENDS

The directors recommended an interim dividend of £550,000 (2005: £300,000). No final dividend is recommended.

DIRECTORS

The following directors have held office during the year:

LRJ Portnoi
DR Arnold LLB (Hons)
N Bruce Copp OBE
Professor RM Abbey BA (Hons)
S Goldsmith ACA
SD Rosenbaum BA (Hons)

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

		<i>Ordinary shares of £1 each</i>
	31.7.06	1.8.05
LRJ Portnoi	-	-
DR Arnold LLB (Hons)	-	-
Professor RM Abbey BA (Hons)	-	-
N Bruce Copp OBE	-	-
S Goldsmith ACA	-	-
SD Rosenbaum BA (Hons)	-	-

The directors' interests in the parent company are disclosed in that company's directors' report.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

TEP Management Services Limited

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Baker Tilly as auditors will be put to the members at the annual general meeting.

By order of the board

S Goldsmith



Secretary

27 October 2006

TEP Management Services Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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. 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 requirements of 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.

TEP Management Services Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEP MANAGEMENT SERVICES LIMITED

We have audited the financial statements on pages 7 to 12.

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 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 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 trustees 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 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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

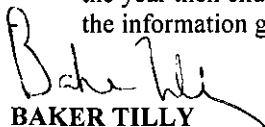
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 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 company's affairs at 31 July 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and the information given in the Report is consistent with the financial statements.



BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

27 October 2006

TEP Management Services Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2006

	Notes	2006 £	2005 £
TURNOVER	1	2,901,876	1,775,016
Net operating expenses		(1,086,828)	(999,632)
OPERATING PROFIT		<u>1,815,048</u>	<u>775,384</u>
Interest receivable		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>1,815,048</u>	<u>775,384</u>
Taxation	4	(545,000)	(232,612)
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,270,048</u>	<u>542,772</u>
Profit and loss brought forward	9	581,767	338,995
Dividends	5	(550,000)	(300,000)
PROFIT AND LOSS CARRIED FORWARD	9	<u><u>1,301,815</u></u>	<u><u>581,767</u></u>

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

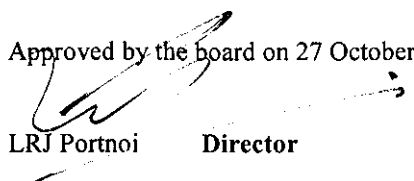
TEP Management Services Limited

BALANCE SHEET

31 July 2006

	<i>Notes</i>	2006 £	2005 £
CURRENT ASSETS			
Debtors	6	1,208,227	877,175
Cash at bank and in hand		397,024	-
		<u>1,605,251</u>	<u>877,175</u>
CREDITORS: Amounts falling due within one year	7	(303,336)	(295,308)
NET CURRENT ASSETS		<u>1,301,915</u>	<u>581,867</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,301,915</u>	<u>581,867</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account	9	1,301,815	581,767
SHAREHOLDER'S FUNDS	10	<u>1,301,915</u>	<u>581,867</u>

Approved by the board on 27 October 2006


LRJ Portnoi Director

TEP Management Services Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TURNOVER

Turnover represents fees and commissions earned during the year stated net of value added tax.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TEP Management Services Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2006

1 TURNOVER

The company's turnover is derived from the company's principal activities wholly undertaken in the United Kingdom.

2	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2006	2005
		£	£

Operating profit is stated after charging:
Auditors' remuneration

1,250	1,200
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3 EMPLOYEES

2006	2005
No.	No.

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

Office and management

14	12
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2006	2005
£	£

Staff costs for above persons:

Wages and salaries

935,000	855,500
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Social security costs

119,600	108,873
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1,054,600	964,373
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DIRECTORS

In respect of the directors of TEP Management Services Limited:

Emoluments

450,000	400,000
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Highest paid director

2006	2005
£	£

emoluments disclosed above include the following payments:

Emoluments

450,000	400,000
---------	---------

4 TAXATION

2006	2005
£	£

Based on the result for the year

UK corporation tax at 30% (2005: 30%)

545,000	232,615
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Adjustments in respect of previous periods

-	(3)
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Total current tax

545,000	232,612
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Deferred taxation:

Origination and reversal of timing differences

-	-
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Taxation payable

545,000	232,612
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TEP Management Services Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2006

4	TAXATION (<i>continued</i>)		
	Factors affecting tax charge for period:	2006	2005
		£	£
	Profit on ordinary activities before tax	1,815,048	775,384
	Profit on ordinary activities multiplied by standard rate of 30% (2005: 30%)	544,515	232,615
	Other tax adjustment	485	-
	Adjustments in respect of previous periods	-	(3)
	Current tax charge for period	545,000	232,612
5	DIVIDENDS	2006	2005
		£	£
	Ordinary:		
	Interim paid - £5,500 per share (2005: £3,000 per share)	550,000	300,000
6	DEBTORS	2006	2005
		£	£
	Due within one year:		
	Amounts owed by parent undertaking	941,366	712,697
	Prepayments and accrued income	266,861	164,478
		1,208,227	877,175
7	CREDITORS: Amounts falling due within one year	2006	2005
		£	£
	Corporation tax	170,000	232,615
	Other tax and social security	108,570	53,814
	Accruals and deferred income	24,766	8,879
		303,336	295,308
8	SHARE CAPITAL	2006	2005
		£	£
	Authorised:		
	100 ordinary shares of £1 each	100	100
	Allotted, issued and fully paid:		
	100 ordinary shares of £1 each	100	100

TEP Management Services Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2006

9	PROFIT AND LOSS ACCOUNT	2006	2005
		£	£
	1 August	581,767	338,995
	Profit for the period	1,270,048	542,772
	Dividends	(550,000)	(300,000)
	31 July	1,301,815	581,767

10	RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS	2006	2005
		£	£
	Profit for the financial period	1,270,048	542,772
	Dividends	(550,000)	(300,000)
	Net addition to shareholder's funds	720,048	242,772
	Opening shareholder's funds	581,867	339,095
	Closing shareholder's funds	1,301,915	581,867

11 CONTINGENT LIABILITIES

The company has a cross-guarantee with its parent, TIS Group Limited, over the banking facilities provided by Barclays Bank Plc.

12 CONTROL

The immediate and ultimate parent undertaking is TIS Group Limited, a company incorporated in England and Wales. TIS Group Limited is controlled by LRJ Portnoi.

13 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.

During the year ended 31 July 2006 the company received valuation fees of £1,773,066 (2005: £1,009,517) from The Protected Asset TEP Fund Plc and £66,818 (2005: £1,585) from The Protected Capital Growth Fund Plc, companies in which TIS Group Limited has interests. At the balance sheet date, £153,744 (2005: £90,039) of valuation fees were accrued in prepayments and accrued income.