PRIME ESTATES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

For the year ended
31st December 2005

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PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Annual report and financial statements for the year ended 31st December 2005

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President

H J H Bandet

Directors

R E L Bandet
I A M F Boyer
I Kirkpatrick (Chairman)
T E Milliken
J B Boyer (as alternate to I A M F Boyer)

Secretary and registered office

N J Alexander, 64 Wilbury Way, Hitchin, Hertfordshire, SG4 0TP

Company Number

1823607

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

The directors submit their report together with the audited financial statements of the group for the year ended 31st December 2005.

Principal activity

The principal activity of the group is property investment.

Results, dividends, trading review and future developments

The profit and loss account is set out on page 4 and shows the group's profit before taxation for the year. It is expected that operating profit will remain at this level in 2006.

The directors expect that the present level of activity will be sustained for the foreseeable future.

The directors declared and paid dividends as shown in note 10 to the accounts. No further dividends are recommended by the directors for the year.

There have been no events since the balance sheet date which materially affect the position of the company.

Directors

Details of the directors' interests (all of which are beneficial) in the ordinary shares of the company during the year are as follows:

	At 01.01.05 and 31.12.05 (Ordinary shares of £0.01)
R E L Bandet	128,762
I A M F Boyer	91,845
I Kirkpatrick	-
T E Milliken	-
J B Boyer (as alternate to I A M F Boyer)	-

Statement of 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 year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these 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; 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 that 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Elective resolutions and auditors

The Company has, by elective resolution, resolved to dispense with the need to hold Annual General Meetings and to reappoint auditors annually. Accordingly BDO Stoy Hayward LLP, who have indicated their willingness so to do, will continue in office as auditors to the company.

By order of the board.

N J Alexander
Secretary

7th September 2006

64 Wilbury Way, Hitchin, Herts

We have audited the group and parent company financial statements (the "financial statements") of Prime Estates Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Movements in Shareholders' Funds, the Group Note of Historical Cost Profits 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 Auditing 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

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 parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
London

7th September 2006

Consolidated profit and loss account for the year ended 31st December 2005

	Note		Year to 31.12.05 £		Restated Year to 31.12.04 £
Gross rental income	3		5,971,168		6,656,595
Less share of joint venture rental income			(673,563)		(681,662)
			5,297,605		5,974,933
Property expenses			(429,805)		(258,982)
NET RENTAL INCOME			4,867,800		5,715,951
Profit on sale of trading property			146,445		-
Lease surrender premiums			93,000		1,090,000
Income from US property investments			380,884		404,171
Movement in stock			-		848,501
Administration expenses			(1,258,954)		(1,497,439)
Other operating income	4		51,671		142,736
GROUP OPERATING PROFIT			4,280,846		6,703,920
Write back of provision/(provision) on revaluation of fixed assets			1,305,485		(822,798)
Provision for impairment of investments			(58,045)		-
Profit on disposal of fixed assets			48,338		10,772
Share of operating profits of associated undertakings		55,301		136,832	
Share of operating profits of joint ventures		610,014		614,808	
			665,315		751,640
Profit on ordinary activities before interest			6,241,939		6,643,534
Interest receivable	5		1,590,518		1,588,110
Interest receivable - associated undertakings		4,295		336	
Interest receivable - joint ventures		11,561		13,291	
			15,856		13,627
Interest payable	6		(2,315,752)		(2,575,220)
Interest payable - associated undertakings		(62,232)		(73,923)	
Interest payable - joint ventures		(651,065)		(645,252)	
			(713,297)		(719,175)
Profit on ordinary activities before taxation	7		4,819,264		4,950,876
Taxation	9		(938,162)		(1,297,228)
Profit on ordinary activities after taxation			3,881,102		3,653,648
Minority interest			(8,579)		(5,563)
Profit for the financial year			3,872,523		3,648,085
Dividends	10		(1,225,004)		(900,001)
Retained profit for the year	20		2,647,519		2,748,084

All amounts relate to continuing activities.

The notes on pages 9 to 21 form part of these financial statements.

Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and note of Historical Cost Profits and Losses for the year ended 31st December 2005

Statement of Total Recognised Gains and Losses	Note	Year to 31.12.05 £	Year to 31.12.04 £
Profit for the financial year		3,872,523	3,648,085
Unrealised surplus on revaluation of properties	20	6,341,447	7,392,176
Exchange translation differences	20	256,924	(169,436)
Total recognised gains for the year		10,470,894	10,870,825

Reconciliation of Movements in Shareholders' Funds	Year to 31.12.05 £	Restated Year to 31.12.04 £
Total recognised gains for the year	10,470,894	10,870,825
Dividends	(1,225,004)	(900,001)
Shareholders' funds at the start of the year	59,981,408	50,010,584
Shareholders' funds at the end of the year	69,227,298	59,981,408

Note of Historical Cost Profits and Losses	Year to 31.12.05 £	Restated Year to 31.12.04 £
Profit on ordinary activities before taxation	4,819,264	4,950,876
Realisation of property valuation gains of prior years	1,931,857	127,730
Historical cost profit on ordinary activities before taxation	6,751,121	5,078,606
Historical cost profit on ordinary activities after taxation, minority interest and dividends	4,579,376	2,875,814

The notes on pages 9 to 21 form part of these financial statements.

Consolidated balance sheet at 31 December 2005

	Note	£	31.12.05 £	£	Restated 31.12.04 £
Fixed Assets					
Tangible assets	11		66,338,887		61,920,745
Investments in joint ventures					
Share of gross assets		11,046,394		9,250,278	
Share of gross liabilities		(7,664,137)		(7,329,723)	
		3,382,257		1,920,555	
Investment in associates		557,478		560,114	
Other investments		3,852,920		3,246,420	
Fixed asset investments	12		7,792,655		5,727,089
			74,131,542		67,647,834
Debtors					
Amounts falling due after more than one year	14		31,838,000		31,838,000
Current Assets					
Stocks	13	1,806,369		4,455,000	
Debtors due within one year	15	1,045,930		2,537,765	
Cash at bank and in hand		1,942,591		1,752,247	
		4,794,890		8,745,012	
Creditors					
Amounts falling due within one year	16	(3,104,614)		(3,816,016)	
Net current assets			1,690,276		4,928,996
Creditors					
Amounts falling due after more than one year	17		(38,358,000)		(44,368,000)
Total net assets			69,301,818		60,046,830
Capital and reserves					
Called up share capital	19		3,500		3,500
Merger reserve	20		578,038		578,038
Revaluation reserve	20		43,657,339		38,990,825
Profit and loss account	20		24,988,421		20,409,045
			69,227,298		59,981,408
Shareholder's funds (equity)					
Minority interest	21		74,520		65,422
			69,301,818		60,046,830

The accounts were approved by the Board on 7th September 2006.

I Kirkpatrick)
)
) Directors
T E Millken)
)

The notes on pages 9 to 21 form part of these financial statements.

Company balance sheet at 31 December 2005

	Note	£	31.12.05 £	£	Restated 31.12.04 £
Fixed Assets					
Tangible assets	11		20,445,000		18,719,000
Investments	12		2,723,886		1,932,006
			23,168,886		20,651,006
Current Assets					
Debtors	15	20,438,999		18,982,414	
Cash at bank and in hand		767,037		958,816	
		21,206,036		19,941,230	
Creditors					
Amounts falling due within one year	16	(5,302,407)		(3,219,237)	
Net current assets			15,903,629		16,721,993
Creditors					
Amounts falling due after more than one year	17		(30,838,000)		(30,838,000)
Total assets less current liabilities			8,234,515		6,534,999
Capital and reserves					
Called up share capital	19		3,500		3,500
Revaluation reserve	20		5,986,810		4,121,510
Profit and loss account	20		2,244,205		2,409,989
Shareholder's funds (equity)			8,234,515		6,534,999

The accounts were approved by the Board on 7th September 2006.

I Kirkpatrick)
) Directors
T E Milliken)

The notes on pages 9 to 21 form part of these financial statements

Consolidated cash flow statement for the year ended 31st December 2005

	Note	Year to 31.12.05 £	£	Year to 31.12.04 £	£
Net cash inflow from operating activities	25		8,615,551		5,846,352
Returns on investment and servicing of finance					
Interest received		1,590,518		1,588,110	
Interest paid		(2,315,752)		(2,575,220)	
			(725,234)		(987,110)
Taxation					
Corporation tax paid			(1,156,179)		(1,210,016)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(95,775)		(42,815)	
Receipts from sales of tangible fixed assets		867,665		290,772	
Payments to acquire investments		(352,354)		(712,390)	
Receipts from sales of investments		271,674		36,914	
			691,210		(427,519)
Equity dividends paid			(1,225,004)		(900,001)
Net cash inflow before financing			6,200,344		2,321,706
Financing					
Repayment of loans		(6,010,000)		(1,950,000)	
Loan notes acquired		-		2,678,000	
Loan notes issued		-		(2,678,000)	
			(6,010,000)		(1,950,000)
Increase in cash	26,27		190,344		371,706

The notes on pages 9 to 21 form part of these financial statements

Notes forming part of the financial statements for the year ended 31st December 2005

1. Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards as modified by the revaluation of investment properties using the following principal accounting policies.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Prime Estates Limited and all its subsidiaries made up to 31st December 2005.

On 8th November 2001, a group reorganisation took place whereby Prime Estates Limited acquired shares in five companies by way of a share for share exchange with the existing shareholders of those companies. In this reorganisation, the share capital of Prime Estates Limited was subdivided from £1 shares into £0.01 shares. The share capital was then increased by £2,000 and shares were allotted in exchange for shares in the subsidiary companies acquired.

The intention of the reorganisation was to maintain the relative rights of the shareholders in the five subsidiary companies. The directors therefore consider that this reorganisation should be accounted for in accordance with the provisions of merger accounting.

In the consolidated financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of these subsidiaries are included for the the whole period in the year they join the group. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken into reserves.

Joint Ventures

An entity is treated as a joint venture where the group holds a long term interest and shares control under a contractural agreement.

In the group accounts, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre tax results and attributable taxation of such undertakings based on audited financial statements.

In the consolidated balance sheet, the group's share of the identifiable gross assets (including any unamortised premium paid on acquisition) and its share of the gross liabilities attributable to its joint ventures are shown separately.

Associated companies

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of retained profits and reserves is added to the cost of the investment in the consolidated balance sheet. Where there is a deficiency in net assets the group's share thereof is shown as a provision for net liabilities of associated undertakings.

Gross rental income

This includes rents pertaining to the period under review. Rent increases arising from rent reviews due during a period are taken into account only to the extent that such reviews have been agreed with the tenants at the accounting date.

Freehold and long leasehold properties

Completed investment properties held for long term retention are stated at open market valuation. Surpluses and deficits arising from revaluations are treated in accordance with Statement of Standard Accounting Practice No 19.

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

1. **Accounting policies (continued)**

Depreciation

In accordance with S.S.A.P. 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation or amortisation is only one of the factors reflected in the annual valuation, and the amount which might otherwise have been shown cannnot be separately identified or quantified.

Depreciation is calculated to write off the cost of other tangible fixed assets over their expected useful lives at the following rates:

Plant and equipment	-	10% to 35% on written down value

Stocks

Stocks are stated at the lower of cost and net realisable value.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. All exchange differences are charged or credited to the revaluation reserve.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

On disposal of an investment property the element of tax relating to profit in the year is charged to the profit and loss account and the element relating to earlier revaluation surpluses is included in the Statement of Total Recognised Gains and Losses.

Deferred taxation

In accordance with FRS19, deferred tax is provided in respect of all timing differences that have originated, but not reversed at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. Deferred taxation is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised expected to arise on sale has been recognised in the financial statements. Deferred tax is not discounted.

The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard 8 and not disclosed transactions undertaken with companies that are part of the group, as consolidated financial statements are publicly available.

Comparitive figures

Certain prior year amounts in the profit and loss account have been reclassified to conform with the 2004 presentation.

2. **Prior year adjustment**

The prior year adjustment relates to the implementation of FRS21 "Events after the balance sheet date". In accordance with FRS21, if an equity dividend is declared after the balance sheet date but before the financial statements are authorised for issue, the dividend is not recognised as a liability at the balance sheet date. The adoption of FRS21 has resulted in an increase in group and company shareholders' funds of £500,000 at 1 January 2005 due to the write back of the dividend proposed at 31 December 2004.

3. **Gross rental income**

The directors are of the opinion that gross rental income is attributable to its principal activity and is derived wholly within the United Kingdom.

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

		Year to 31.12.05 £	Year to 31.12.04 £
4.	**Other operating income**		
	Management fees receivable	16,117	31,500
	Insurance commission	25,584	90,802
	Other income	9,970	20,434
		51,671	142,736
5.	**Interest receivable**		
	Interest receivable from banks	10,608	10,144
	Interest receivable from related companies	1,557,535	1,559,884
	Other interest	22,375	18,082
		1,590,518	1,588,110
6.	**Interest payable**		
	Bank interest	870,248	1,163,273
	Interest payable to related company	1,441,198	1,410,785
	Other interest	4,306	1,162
		2,315,752	2,575,220
7.	**Profit on ordinary activities before taxation**		
	This is arrived at after charging:		
	Auditors remuneration	51,030	48,600
	Depreciation	19,373	24,786
8.	**Employees and directors**		
	Staff costs (including salaried directors) consist of:		
	Wages and Salaries	457,898	522,166
	Social Security costs	42,482	50,021
	Pension costs	32,250	23,643
		532,630	595,830

The average number of employees during the year was 8 (2004 - 9).

Directors remuneration consists of:

Directors emoluments	242,000	234,003
Pension contributions	13,200	12,000
	255,200	246,003

Emoluments of the highest paid director amounted to £177,000 (2004 - £160,000).
Pension contributions for the highest paid director amounted to £13,200 (2004 - £12,000).

Included in the above are fees of £25,000 (2004 - £25,000) paid by various subsidiary companies to Ian Kirkpatrick Management Services Ltd in accordance with an agreement for the provision of the services of Mr Kirkpatrick.

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

9. Taxation on profit on ordinary activities	Year to 31.12.05 £	Year to 31.12.04 £
Current tax		
UK corporation tax on profits of the year	894,192	1,193,567
Adjustment in respect of previous years	(37,302)	1,719
US taxation	81,272	101,942
Taxation on profit on ordinary activities	938,162	1,297,228
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before tax	4,819,264	4,950,876
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 - 30%)	1,445,779	1,485,263
Effects of:		
Expenses not deductible for tax purposes	15,388	415,880
Non taxable income	(467,723)	(421,538)
Capital allowances and IBA's in excess of depreciation	(18,447)	(22,875)
(Profit)/loss on sale of fixed assets	(8,452)	(3,232)
Capital gains adjustment	10,906	55,265
Share of partnership losses	(8,847)	(8,086)
Utilisation of tax losses	(33,038)	(228,283)
Adjustments in respect of previous years	(37,302)	1,719
Higher rate taxes on overseas earnings	39,898	23,115
	938,162	1,297,228

10. Dividends	Year to 31.12.05 £	Restated Year to 31.12.04 £
The following dividends were payable for the period.		
2nd interim dividend for 2004 of of £1.428572 per share	500,000	-
Interim dividend for 2005 of £1.50 per share (2004 - £2.57143 per share)	525,000	900,001
2nd interim dividend for 2005 of of £0.57144 per share	200,004	-
Calculated on 350,000 ordinary shares of £0.01 each.		
	1,225,004	900,001

The dividends for 2004 have been restated to reflect amounts paid in the year. Previously the dividend reported was the dividend proposed at the end of the year which was paid in the subsequent year (see note 2).

11. Tangible fixed assets

Group	Freehold property £	Leasehold property £	Plant and equipment £	Total £
Cost or valuation				
At 1st January 2005	44,589,600	17,217,500	148,348	61,955,448
Transfers from leasehold to freeehold	2,190,000	(2,190,000)	-	-
Transfer to stock	(921,000)	-		(921,000)
Additions at cost	90,160	-	5,615	95,775
Disposals at valuation	(893,000)	-	-	(893,000)
Valuation adjustment	4,291,240	1,864,500	-	6,155,740
At 31st December 2005	49,347,000	16,892,000	153,963	66,392,963
Representing				
Cost	-	-	153,963	153,963
Valuation	49,347,000	16,892,000	-	66,239,000
At 31st December 2005	49,347,000	16,892,000	153,963	66,392,963
Depreciation				
At 1st January 2005			34,703	34,703
Charge for the year			19,373	19,373
At 31st December 2005			54,076	54,076
Net book value				
At 31st December 2005	49,347,000	16,892,000	99,887	66,338,887
At 31st December 2004	44,589,600	17,217,500	113,645	61,920,745

The group

The historical cost of investment properties held at 31st December 2005 was £26,042,714 (2004 - £27,126,417).

An open market valuation was carried out on 31st December 2005 by King Sturge, chartered surveyors. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual.

Notes forming part of the financial statements for the year ended 31st December 2005 *(continued)*

11. Tangible fixed assets

Company	Freehold property £	Leasehold property £	Total £
Cost and valuation			
At 1st January 2005	14,110,000	4,609,000	18,719,000
Additions at cost	202,515	-	202,515
Transfer from leasehold to freehold	1,778,000	(1,778,000)	-
Disposal to subsidiary company	-	(397,000)	(397,000)
Valuation adjustment	1,679,485	241,000	1,920,485
At 31st December 2005	17,770,000	2,675,000	20,445,000

12. Fixed asset investments

Group	Investment in joint ventures £	Investment in associated undertakings £	Other investments £	Total £
Cost				
At 1st January 2005	999,999	25	3,729,572	4,729,596
Additions	-	-	352,354	352,354
Disposals	-	-	(198,001)	(198,001)
At 31st December 2005	999,999	25	3,883,925	4,883,949
Share of retained profits/(losses)				
At 1st January 2005	(37,186)	2,848	-	(34,338)
Transfer from revaluation reserve	(29,490)	557,241	-	527,751
Profit/(loss) for the year	-	(2,636)	-	(2,636)
At 31st December 2005	(66,676)	557,453	-	490,777
Provisions/revaluations				
At 1st January 2005	957,742	557,241	(483,152)	1,031,831
Transfer to retained profits	-	(557,241)	-	(557,241)
Exchange gain	-	-	510,192	510,192
Surplus/(deficit) on revaluation	1,491,192	-	(58,045)	1,433,147
At 31st December 2005	2,448,934	-	(31,005)	2,417,929
Net book value				
At 31st December 2005	3,382,257	557,478	3,852,920	7,792,655
At 31st December 2004	1,920,555	560,114	3,246,420	5,727,089

12. Fixed asset investments (continued)

Group

The investment in joint ventures at the year end represents a 49.99995% interest in Ampere Property LLP, registered in England and whose principal activity is property investment.

The investment in associated undertakings at the year end represents a 25% interest in Hunting Gate Wilshere Limited, a company registered in England and whose principal activity is property investment.

Other investments comprise:

(i) payments under endowment insurance policies which are charged to Sun Life of Canada amounting to £403,350 (2004 £376,460)

(ii) an investment of £1,669,615 (2004 £1,102,735) in the Brinson Partnership Fund

(iii) investments of £1,779,955 (2004 £1,767,225) in joint venture partnerships, real estate investments and other marketable investments in the United States of America.

The investment in the Brinson Partnership Fund at 31st December 2005 represents $2,876,413 out of $5,000,000 committed to be invested by 31st December 2006.

Joint ventures

The group had the following aggregate interests in joint ventures

	31.12.05 £	31.12.04 £
Share of assets		
Share of fixed assets	10,812,489	8,981,491
Share of current assets	233,905	268,787
	11,046,394	9,250,278
Share of liabilities		
Due within one year	(751,144)	(416,730)
Due after one year	(6,912,993)	(6,912,993)
	(7,664,137)	(7,329,723)
Share of net assets	3,382,257	1,920,555

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

12. Fixed asset investments (continued)

Company

	Investment in subsidiary undertakings	Other investments	Total
	£	£	£
Cost			
At 1st January 2005	1,054,246	1,102,760	2,157,006
Additions in the year	-	419,300	419,300
Exchange gain in the year	-	147,580	147,580
At 31st December 2005	1,054,246	1,669,640	2,723,886
Provision			
At 1st January 2005	225,000	-	225,000
Released in the year	(225,000)	-	(225,000)
At 31st December 2005	-	-	-
Net book value			
At 31st December 2005	1,054,246	1,669,640	2,723,886
At 31st December 2004	829,246	1,102,760	1,932,006

Details of principal subsidiary undertakings are set out below:

Registered in England and wholly owned either directly or indirectly.

Prime Estates (Northumbria) Ltd
Prime Estates (CI) Ltd
Wilbury Investments Ltd
Wilbury Estates Ltd
Prime Estates Services Ltd
Erecta (Hitchin) Ltd
Hitchin Industrial Estates Ltd
Bury Field Estates Ltd
EP Investments Ltd
EPI Trading Ltd
Prime Estates (Houghton Regis) Ltd
EP (Andover) Ltd
EP (Hillgate) Ltd
HIE (Hunting Gate) Ltd
EH (Bedford) Ltd
Erecta (Hunting Gate) Ltd
BFE (Wilbury Way) Ltd
Prime Estates (East Anglia) Ltd
Prime Estates (Stevenage) Ltd

Registered in the United States of America

Erecta Properties (North America) Inc (100% owned)
Wilbury West Investments Inc (97% owned)

13. Stocks

	31.12.05	31.12.04
	£	£
Group		
Stocks	1,806,369	4,455,000

14. Debtors: Amounts falling due after more than one year

	31.12.05 £	31.12.04 £
Group		
Loan notes	30,838,000	30,838,000
Amounts owed by joint ventures	1,000,000	1,000,000
	31,838,000	31,838,000

On 20th May 2004 a related company under common control issued 2,678,000 £1 Loan Notes due to a group company. Interest at the rate of 4.62% is payable on the Loan Notes, which are repayable on 25th March 2024.

Loan notes in existence at 1st January 2005 and 31st December 2005 issued by a related company under common control to certain group companies bear an interest rate of 4.35% and are repayable as follows:

£23,800,000 on 5th April 2020
£3,000,000 on 1st January 2023
£1,360,000 on 14th February 2023
£2,678,000 on 25th March 2024

15. Debtors

Amounts due within one year

	The group		The company	
	31.12.05 £	31.12.04 £	31.12.05 £	31.12.04 £
Trade debtors	769,183	1,114,586	310,377	359,872
Other debtors	87,539	57,207	-	-
Prepayments and accrued income	189,208	195,972	21,648	116,877
Amounts owed by subsidiary undertakings	-	-	20,106,974	17,335,665
Amounts owed by associated undertakings	-	1,170,000	-	1,170,000
	1,045,930	2,537,765	20,438,999	18,982,414

16. Creditors: Amounts falling due within one year

	The group		The company	
	31.12.05 £	Restated 31.12.04 £	31.12.05 £	Restated 31.12.04 £
Bank loans and overdraft	50,000	50,000	-	-
Trade creditors	40,926	47,875	8,701	26,420
Corporation tax	413,308	631,325	190,585	380,226
Other taxes	247,291	411,846	215,424	357,592
Other creditors	142,141	219,496	42,226	128,798
Accruals and deferred income	2,210,948	2,455,474	437,129	458,950
Amounts due to subsidiary undertakings	-	-	4,408,342	1,867,251
	3,104,614	3,816,016	5,302,407	3,219,237

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

17. Creditors: Amounts falling due after more than one year

	The group		The company	
	31.12.05 £	31.12.04 £	31.12.05 £	31.12.04 £
Loans and mortgages				
Sun Life of Canada mortgage	3,270,000	3,320,000	-	-
Bank loans	4,250,000	10,210,000	-	-
Loan notes	30,838,000	30,838,000	30,838,000	30,838,000
	38,358,000	44,368,000	30,838,000	30,838,000

The borrowings are secured by fixed charges over freehold and leasehold property of the group and by floating charges over assets of certain group companies. Various group companies and an associated company act as sureties for the subsidiary companies' borrowings.

The Sun Life of Canada mortgage is repayable in 2011 and carries a fixed interest charge of 12.25% per annum.

On 14th May 2003 the company issued 23,800,000 £1 Loan Notes due to a related company under common control. Interest at the rate of 4.65% is payable on the Loan Notes, which are repayable on 5th April 2020.

The company issued a further 1,360,000 £1 Loan Notes to a related company under common control, on 14th May 2003. Interest at the rate of 4.65% is payable on the Loan Notes, which are repayable on 14th February 2023.

The company issued a further 3,000,000 £1 Loan Notes to a related company, under common control, on 14th May 2003. Interest at the rate of 4.65% is payable on the Loan Notes, which are repayable on 1st January 2023.

The company issued a further 2,678,000 £1 Loan Notes to a related company, under common control, on 20th May 2004. Interest at the rate of 4.92% is payable on the Loan Notes, which are repayable on 25th March 2024.

	The group		The company	
	31.12.05 £	31.12.04 £	31.12.05 £	31.12.04 £
Amounts repayable between one and two years	325,000	50,000	-	-
Amounts repayable between two and five years	1,800,000	150,000	-	-
Amounts repayable after five years	36,233,000	44,168,000	30,838,000	30,838,000
	38,358,000	44,368,000	30,838,000	30,838,000

18. Provision for share of net liabilities of associated undertaking

	31.12.05 £	31.12.04 £
At 1st January 2005	-	60,372
Transfer to investment in associated undertaking	-	(60,372)
At 31st December 2005	-	-

19. Share capital

	31.12.05 £	31.12.04 £
Authorised		
350,000 Ordinary shares of £0.01 each	3,500	3,500
Allotted, called up and fully paid		
350,000 Ordinary shares of £0.01 each	3,500	3,500

20. Reserves

Group

	Revaluation reserve £	Restated Profit and loss account £	Merger reserve £	Restated Total £
Balance at 1st January 2005	38,990,825	20,409,045	578,038	59,977,908
Retained profit for the year	-	2,647,519	-	2,647,519
Valuation surplus for the year	6,341,447	-	-	6,341,447
Reserve transfer	(1,931,857)	1,931,857	-	-
Exchange movement	256,924	-	-	256,924
Balance at 31st December 2005	43,657,339	24,988,421	578,038	69,223,798

Company

Balance at 1st January 2005	4,121,510	2,409,989		6,531,499
Retained loss for the year	-	(186,484)		(186,484)
Valuation surplus for the year	1,886,000	-		1,886,000
Valuation surplus on sold property	(20,700)	20,700		-
Balance at 31st December 2005	5,986,810	2,244,205		8,231,015

Of the balance on the profit and loss account for the company at 31st December 2005, £1,342,680 (2004 - £1,342,680) represents the surplus on disposal of assets to Wilbury Estates Limited, a 100% owned subsidiary company. The directors have chosen not to make this surplus available for distribution until the relevant assets are sold outside the group.

Result for the financial year

The company has taken advantage of the exemption under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements.

21. Minority interest

	31.12.05 £	31.12.04 £
Minority interest comprises:		
Net assets of a subsidiary	74,520	65,422

22. Contingent liabilities

No such liabilities are known to the directors.

23. Commitments under operating leases

As at 31st December 2005, the group had annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	31.12.05 £	31.12.04 £
Those which expire after five years	193,925	192,415

24. Related party transactions

(i) The group rented properties on normal commercial terms at a cost of £80,549 (2004 - £140,705) to companies of which Mr H J H Bandet, Ms R E L Bandet and Mrs I A M F Boyer were directors and shareholders of the ultimate parent company.

(ii) Management and consultancy fees totalling £95,607 (2004 - £101,461) were charged by a company of which Mr H. J. H. Bandet was a director and a shareholder of the ultimate parent company.

(iii) Management fees totalling £19,648 (2004 - £8,294) were paid to Ms R E L Bandet by a goup company.

(iv) Included in interest receivable is an amount of £150,000 (2004 - £156,164) received on loans to the joint venture partnership.

(v) Included in interest receivable is an amount of £1,348,684 (2004 - £1,320,147) receivable on loan notes issued by a related company under common control.

(vi) Included in interest payable is an amount of £1,441,198 (2004 - £1,410,785) payable on loan notes issued to a related company under common control.

25. Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31.12.05 £	Year to 31.12.04 £
Operating profit	4,280,846	6,703,920
Depreciation charges	19,373	24,786
Exchange (gain)/loss	(252,749)	29,513
Decrease/(increase) in stock	3,569,631	(714,000)
Decrease in debtors	1,491,835	104,538
Decrease in creditors	(493,385)	(302,405)
Net cash inflow from operating activities	8,615,551	5,846,352

26. Reconciliation of net cash flow to movement in net debt

	Year to 31.12.05 £	Year to 31.12.04 £
Increase in cash in the year	190,344	371,706
Repayment of loans	6,010,000	1,950,000
New loans	-	(2,678,000)
Change in net debt	6,200,344	(356,294)
Net debt at 1st January 2005	(42,665,753)	(42,309,459)
Net debt at 31st December 2005	(36,465,409)	(42,665,753)

27. Analysis of net debt

	at 01.01.05 £	Cashflow £	At 31.12.05 £
Cash at bank and in hand	1,752,247	190,344	1,942,591
Debt due within one year	(50,000)	-	(50,000)
Debt due after more than one year	(44,368,000)	-	(44,368,000)
	(42,665,753)	190,344	(42,475,409)