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PRIME ESTATES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS

For the year ended
31st December 2007

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PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Annual report and financial statements for the year ended 31st December 2007

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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, 55 Baker Street, London, W1U 7EU

Report of the directors for the year ended 31st December 2007

The directors submit their report together with the audited financial statements of the group for the year ended 31st December 2007

Principal activity

The principal activity of the group is property investment

Results and dividends

The profit and loss account is set out on page 4 and shows the group's profit before taxation for the year

The directors declared and paid dividends as shown in note 9 to the accounts. No further dividends are recommended by the directors for the year

Review of business and future developments

The profit and loss account is set out on page 4 and shows that the group's rental income (excluding share of Ampere Property LLP joint venture rental income) has decreased by £192,478 (3.75%) to £4,942,129 from £5,134,607 in the prior year. This is principally as a result of rental income lost on property disposal (£82,500) and the net effect on rental income of voids, offset by new leases and rent reviews.

Vacant premises at year end represented an Estimated Rental Value (ERV) of £239,000 pa or 4.88% of total annualised rent roll, up from an ERV of £165,000 (3.45%) the prior year.

Profits on the disposal of fixed assets were £377,276 (2006: £1,302,324) principally represented by profits of £335,827 recognised on disposals from the group's investment in the Brinson Partnership Fund.

The net book value of tangible fixed assets decreased by £3,575,667, or 5.6%, to £60,764,541. However, once disposals during the year are taken into account, the portfolio shows only a 3% like-for-like decrease from the prior year.

Cash at bank increased by £1,050,083 to £11,368,542, which comfortably exceeds the group's institutional borrowings of £7,092,500. The institutional borrowings, which are fully hedged, exclude assets and liabilities represented by loan notes to and from a related company under common control.

The Board reviews the group's cash flow on a regular basis and ensures appropriate facilities are available to be drawn upon as necessary.

Principal risks and uncertainties

The principal risks faced by the business are the risks represented by potential tenant defaults and property voids. These risks and the general state of the commercial property market have flow-on consequences for the valuation of the group's portfolio. The group has limited exposure to movements in exchange rates on foreign investments of £3,292,270.

The Board is unaware of any significant deterioration in the state of the group's tenants or in voids in the group's property portfolio, and expects the profitability of the portfolio to continue at present levels.

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

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 07 and 31 12 07 (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)	-

Report of the directors for the year ended 31st December 2007

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.

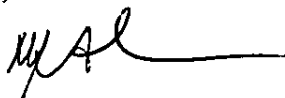
Elective resolutions and auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information.

The directors are not aware of any relevant audit information of which the auditors are unaware.

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

18th September 2008

64 Wilbury Way Hitchin, Herts

Independent Auditors Report to the Shareholders of Prime Estates Limited

We have audited the group and parent company financial statements (the "financial statements") of Prime Estates Limited for the year ended 31 December 2007 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 are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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 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

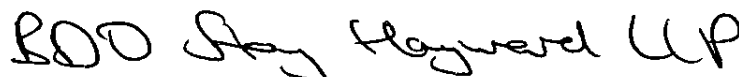
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
London

18th September 2008

Consolidated profit and loss account for the year ended 31st December 2007

	Note	Year to 31 12 07 £	Year to 31 12 06 £
Gross rental income	2	4,952,332	5,386,774
Less share of joint venture rental income		(10,203)	(252,167)
		<u>4,942,129</u>	<u>5,134,607</u>
Property expenses		(270,704)	(335,202)
NET RENTAL INCOME		<u>4,671,425</u>	<u>4,799,405</u>
Lease surrender premiums		77,121	60,100
(Loss)/income from US property investments		(97,531)	571,251
Administration expenses		(1,598,283)	(2,074,645)
Other operating income	3	47,108	47,392
GROUP OPERATING PROFIT		<u>3,099,840</u>	<u>3,403,503</u>
Share of operating losses of associated undertakings		(354)	(3,344)
Share of operating (losses)/profits of joint ventures		<u>(29,460)</u>	<u>109,711</u>
		(29,814)	106,367
(Provision)/write back of provision on revaluation of fixed assets		(135,113)	26,628
Profit on disposal of fixed assets - group		377,276	1,302,324
Profit on disposal of fixed assets - joint ventures		-	2,726,405
Profit on ordinary activities before interest		<u>3,312,189</u>	<u>7,565,227</u>
Interest receivable	4	1,899,142	1,676,014
Interest receivable - associated undertakings		7,935	15,350
Interest receivable - joint ventures		<u>21,624</u>	<u>43,265</u>
		29,559	58,615
Interest payable	5	(2,123,475)	(2,160,510)
Interest payable - joint ventures		-	(288,748)
		-	(288,748)
Profit on ordinary activities before taxation	6	<u>3,117,415</u>	<u>6,850,598</u>
Taxation	8	(1,222,616)	(2,163,578)
Profit on ordinary activities after taxation		<u>1,894,799</u>	<u>4,687,020</u>
Minority interest		1,624	(19,879)
Profit for the financial year	18	<u>1,896,423</u>	<u>4,667,141</u>

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 2007

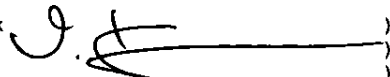
	Note	Year to 31 12 07 £	Year to 31 12 06 £
<u>Statement of Total Recognised Gains and Losses</u>			
Profit for the financial year		1,896,423	4,667,141
Unrealised (deficit)/surplus on revaluation of properties	18	(1,552,103)	4,181,294
Exchange translation differences	18	(117,790)	(242,658)
Total recognised gains for the year		<u>226,530</u>	<u>8,605,777</u>
		Year to 31 12 07 £	Year to 31 12 06 £
<u>Reconciliation of Movements in Shareholders' Funds</u>			
Total recognised gains for the year		226,530	8,605,777
Dividends		(1,533,000)	(5,103,000)
Shareholders' funds at the start of the year		72,730,075	69,227,298
Shareholders' funds at the end of the year		<u>71,423,605</u>	<u>72,730,075</u>
		Year to 31 12 07 £	Year to 31 12 06 £
<u>Note of Historical Cost Profits and Losses</u>			
Profit on ordinary activities before taxation		3,117,415	6,850,598
Realisation of property valuation gains of prior years		1,842,719	993,779
Historical cost profit on ordinary activities before taxation		<u>4,960,134</u>	<u>7,844,377</u>
Historical cost profit on ordinary activities after taxation, minority interest and dividends		<u>2,206,142</u>	<u>557,920</u>

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

Consolidated balance sheet at 31 December 2007

	Note	31 12 07		31 12 06	
		£	£	£	£
Fixed Assets					
Tangible assets	10		60,764,541		64,340,208
Investments in joint ventures					
Share of gross assets		2,562,730		2,266,306	
Share of gross liabilities		(345,748)		(362,031)	
		<u>2,216,982</u>		<u>1,904,275</u>	
Investment in associates		93,446		155,865	
Other investments		<u>3,749,400</u>		<u>3,880,671</u>	
Fixed asset investments	11		<u>6,059,828</u>		<u>5,940,811</u>
			<u>66,824,369</u>		<u>70,281,019</u>
Debtors					
Amounts falling due after more than one year	13		30,838,000		30,838,000
Current Assets					
Stocks	12	1,824,090		1,810,590	
Debtors due within one year	14	1,617,155		1,227,816	
Cash at bank and in hand		<u>11,368,542</u>		<u>10,318,459</u>	
		<u>14,809,787</u>		<u>13,356,865</u>	
Creditors					
Amounts falling due within one year	15	<u>(3,652,435)</u>		<u>(3,877,898)</u>	
Net current assets			11,157,352		9,478,967
Creditors					
Amounts falling due after more than one year	16		(37,330,500)		(37,793,000)
Total net assets			<u>71,489,221</u>		<u>72,804,986</u>
Capital and reserves					
Called up share capital	17		3,500		3,500
Merger reserve	18		578,038		578,038
Revaluation reserve	18		43,513,363		47,025,975
Profit and loss account	18		<u>27,328,704</u>		<u>25,122,562</u>
Shareholders' funds (equity)			<u>71,423,605</u>		<u>72,730,075</u>
Minority interest	19		<u>65,616</u>		<u>74,911</u>
			<u>71,489,221</u>		<u>72,804,986</u>

The financial statements were approved by the Board and authorised for issue on 18th September 2008

I Kirkpatrick )
 T E Milliken ) Directors

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

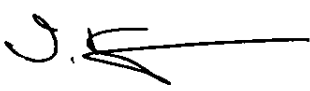
PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

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Company balance sheet at 31 December 2007

	Note	31 12 07 £	£	31 12 06 £	£
Fixed Assets					
Tangible assets	10	21,795,000		21,024,000	
Investments	11	2,761,500		2,710,678	
		<u>24,556,500</u>		<u>23,734,678</u>	
Current Assets					
Debtors	14	12,449,570		13,863,330	
Cash at bank and in hand		10,483,584		9,032,077	
		<u>22,933,154</u>		<u>22,895,407</u>	
Creditors					
Amounts falling due within one year	15	(7,205,683)		(6,886,785)	
		<u>15,727,471</u>		<u>16,008,622</u>	
Net current assets					
		15,727,471		16,008,622	
Creditors					
Amounts falling due after more than one year	16	(30,838,000)		(30,838,000)	
		<u>9,445,971</u>		<u>8,905,300</u>	
Total assets less current liabilities					
		<u>9,445,971</u>		<u>8,905,300</u>	
Capital and reserves					
Called up share capital	17	3,500		3,500	
Revaluation reserve	18	7,312,906		6,854,518	
Profit and loss account	18	2,129,565		2,047,282	
		<u>9,445,971</u>		<u>8,905,300</u>	
Shareholders' funds (equity)					
		<u>9,445,971</u>		<u>8,905,300</u>	

The financial statements were approved by the Board and authorised for issue on 18th September 2008

I Kirkpatrick )
)
 T E Milliken )
)
 Directors

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

Consolidated cash flow statement for the year ended 31st December 2007

		Year to 31 12 07	Year to 31 12 06
	Note	£	£
Net cash inflow from operating activities	23	2,598,502	4,556,331
Dividends from joint ventures and associated undertakings		-	3,240,995
Returns on investment and servicing of finance			
Interest received		1,899,142	1,676,014
Interest paid		(2,123,475)	(2,160,510)
		(224,333)	(484,496)
Taxation			
Corporation tax paid		(1,590,699)	(1,806,952)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(55,393)	(143,722)
Receipts from sales of tangible fixed assets		1,651,621	7,706,769
Payments to acquire investments		(309,289)	(621,550)
Receipts from sales of investments		700,174	321,494
Repayment of investment in joint venture		-	999,999
		1,987,113	8,262,990
Equity dividends paid		(1,533,000)	(5,103,000)
Net cash inflow before financing		1,237,583	8,665,868
Financing			
Repayment of loans		(187,500)	(290,000)
		(187,500)	(290,000)
Increase in cash	24,25	1,050,083	8,375,868

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 2007

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 2007

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 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 contractual 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 2007 (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 cannot 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. 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.

2 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.

3 Other operating income

	Year to 31 12 07 £	Year to 31 12 06 £
Management fees receivable	9,276	8,362
Insurance commission	25,683	25,055
Other income	12,149	13,975
	<u>47,108</u>	<u>47,392</u>

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

4	Interest receivable	Year to 31 12 07 £	Year to 31 12 06 £
	Interest receivable from banks	502,484	212,917
	Interest receivable from related companies	1,348,683	1,410,738
	Other interest	47,975	52,359
		<u>1,899,142</u>	<u>1,676,014</u>
5	Interest payable		
	Bank interest	681,185	718,679
	Interest payable to related company	1,441,198	1,441,198
	Other interest	1,092	633
		<u>2,123,475</u>	<u>2,160,510</u>
6	Profit on ordinary activities before taxation		
	This is arrived at after charging		
	Auditors remuneration - audit services	56,250	53,580
	Depreciation	<u>13,129</u>	<u>16,540</u>
7	Employees and directors		
	Staff costs (including salaried directors) consist of		
	Wages and Salaries	530,380	485,430
	Social Security costs	59,627	53,880
	Pension costs	29,322	67,115
		<u>619,329</u>	<u>606,425</u>
	The average number of employees during the year was 8 (2006 - 8)		
	Directors' remuneration consists of		
	Directors' emoluments	272,560	247,560
	Pension contributions	15,256	14,256
		<u>287,816</u>	<u>261,816</u>

Emoluments of the highest paid director amounted to £212,560 (2006 - £197,560)

Pension contributions for the highest paid director amounted to £15,256 (2006 - £14,256)

Additionally, fees of £35,000 (2006 - £30,000) paid by various subsidiary companies to Ian Kirkpatrick Management Services Ltd in accordance with an agreement for the provision of consultancy services of Mr Kirkpatrick

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

8	Taxation on profit on ordinary activities	Year to	Year to
		31 12 07	31 12 06
		£	£
	Current tax		
	UK corporation tax on profits of the year	1,149,085	1,920,818
	Adjustment in respect of previous years	(13,507)	32,497
	US taxation	17,038	210,263
	Share of associates tax charge	70,000	-
	Taxation on profit on ordinary activities	<u>1,222,616</u>	<u>2,163,578</u>
	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	<u>3,117,415</u>	<u>6,850,598</u>
	Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	935,225	2,055,179
	Effects of		
	Expenses not deductible for tax purposes	168,209	15,217
	Non taxable income	(81,566)	-
	Capital allowances and IBA's in excess of depreciation	(11,430)	(8,381)
	Loss on sale of fixed assets	3,000	2,996
	Capital gains adjustment	193,026	6,861
	Share of partnership losses	(2,427)	-
	Adjustments in respect of previous years	(13,507)	32,497
	Overseas earnings tax adjustment	32,086	59,209
		<u>1,222,616</u>	<u>2,163,578</u>
9	Dividends	Year to	Year to
		31 12 07	31 12 06
		£	£
	The following dividends were paid in the period		
	Interim dividend for 2007 of of £2 10 per share (2006 - £4 46 per share)	735,000	1,561,000
	2nd interim dividend for 2007 of £0 80 per share (2006 - £4 14 per share)	280,000	1,449,000
	3rd interim dividend for 2007 of £0 44 per share (2006 - £1 18 per share)	154,000	413,000
	4th interim dividend for 2007 of of £0 44 per share (2006 - £4 80 per share)	154,000	1 680 000
	5th interim dividend for 2007 of of £0 60 per share (2006 - £Nil per share)	210,000	-
	Calculated on 350,000 ordinary shares of £0 01 each	<u>1,533,000</u>	<u>5,103,000</u>

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

10 Tangible fixed assets				
Group	Freehold property £	Leasehold property £	Plant and equipment £	Total £
Cost or valuation				
At 1st January 2007	52,200,000	12,056,000	154,771	64,410,771
Additions at cost	54,759	-	634	55,393
Disposals at valuation	(1,610,000)	-	(654)	(1,610,654)
Valuation adjustment	(1,089,759)	(918,000)	-	(2,007,759)
At 31st December 2007	49,555,000	11,138,000	154,751	60,847,751
Representing				
Cost	-	-	154,751	154,751
Valuation	49,555,000	11,138,000	-	60,693,000
At 31st December 2007	49,555,000	11,138,000	154,751	60,847,751
Depreciation				
At 1st January 2007			70,563	70,563
Eliminated on disposal			(482)	(482)
Charge for the year			13,129	13,129
At 31st December 2007			83,210	83,210
Net book value				
At 31st December 2007	49,555,000	11,138,000	71,541	60,764,541
At 31st December 2006	52,200,000	12,056,000	84,208	64,340,208

The group

The historical cost of investment properties held at 31st December 2007 was £19,621,031 (2006 - £20,180,553)

An open market valuation was carried out on 31st December 2007 by Mr J M Pate, a chartered surveyor, who is an employee of Prime Estates Services Limited, a related company, which manages the portfolio. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual.

The amount of tax that would be payable if the group's revalued investment properties were sold at their open market value is £3,454,337 (2006 - £3,770,773)

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

10	Tangible fixed assets			
	Company	Freehold property £	Leasehold property £	Total £
	Cost and valuation			
	At 1st January 2007	18,114,000	2,910,000	21,024,000
	Additions at cost	40,725	-	40,725
	Valuation adjustment	949,275	(219,000)	730,275
	At 31st December 2007	19,104,000	2,691,000	21,795,000
11	Fixed asset investments			
	Group	Investment in joint ventures	Investment in associated undertakings	Other investments
		£	£	£
	Cost			Total £
	At 1st January 2007	-	25	4,354,557
	Additions	-	-	309,289
	Disposals	-	-	(364,347)
	At 31st December 2007	-	25	4,299,499
	Share of retained profits/(losses)			
	At 1st January 2007	1,781,955	155,840	-
	Loss for the year	(7,836)	(62,419)	-
	At 31st December 2007	1,774,119	93,421	-
	Provisions/revaluations			
	At 1st January 2007	122,320	-	(473,886)
	Exchange loss	-	-	(76,213)
	Gain on revaluation	320,543	-	-
	At 31st December 2007	442,863	-	(550,099)
	Net book value			
	At 31st December 2007	2,216,982	93,446	3,749,400
	At 31st December 2006	1,904,275	155,865	3,880,671

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

11 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 Wilshire 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 £457,130 (2006 - £430,240)
- (ii) an investment of £1,707,229 (2006 - £1,656,407) in the Brinson Partnership Fund
- (iii) investments of £1,585,041 (2006 - £1,794,024) 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 2007 represents \$4,273,246 out of \$4,952,402 committed to be invested by 31st December 2007

Joint ventures

The group had the following aggregate interests in joint ventures

	31 12 07 £	31 12 06 £
Share of assets		
Share of fixed assets	2,177,498	1,667,498
Share of current assets	385,232	598,808
	<u>2,562,730</u>	<u>2,266,306</u>
Share of liabilities		
Due within one year	<u>(345,748)</u>	<u>(362,031)</u>
Share of net assets	<u>2,216,982</u>	<u>1,904,275</u>

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

11 Fixed asset investments (continued)

Company	Investment in subsidiary undertakings £	Other investments £	Total £
Cost			
At 1st January 2007	1,054,246	1,656,432	2,710,678
Additions in the year	-	282,399	282,399
Disposals in the year	-	(190,568)	(190,568)
Exchange loss in the year	-	(41,009)	(41,009)
At 31st December 2007	1,054,246	1,707,254	2,761,500
Net book value			
At 31st December 2007	1,054,246	1,707,254	2,761,500
At 31st December 2006	1,054,246	1,656,432	2,710,678

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)

12 Stocks

	31 12 07 £	31 12 06 £
Group		
Stocks	1,824,090	1,810,590

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

13 Debtors Amounts falling due after more than one year	31 12 07	31 12 06
	£	£
Group		
Loan notes	30,838,000	30,838,000

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 2006 and 31st December 2006 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

14 Debtors

Amounts due within one year

	The group		The company	
	31 12 07	31 12 06	31 12 07	31 12 06
	£	£	£	£
Trade debtors	1,093,643	1,021,765	391,292	417,349
Other debtors	77,694	43,129	3,575	9,209
Prepayments and accrued income	445,818	162,922	64,478	48,009
Amounts owed by subsidiary undertakings	-	-	11,990,225	13,388,763
	1,617,155	1,227,816	12,449,570	13,863,330

15 Creditors Amounts falling due within one year

	The group		The company	
	31 12 07	31 12 06	31 12 07	31 12 06
	£	£	£	£
Bank loans	600,000	325,000	-	-
Trade creditors	47,097	55,655	25,476	23,223
Corporation tax	401,851	769,934	177,377	554,606
Other taxes	229,847	387,651	211,478	191,101
Other creditors	107,906	124,871	27,522	36,256
Accruals and deferred income	2,265,734	2,214,787	491,565	510,685
Amounts due to subsidiary undertakings	-	-	6,272,265	5,570,914
	3,652,435	3,877,898	7,205,683	6,886,785

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

16 Creditors Amounts falling due after more than one year

	The group		The company	
	31 12 07	31 12 06	31 12 07	31 12 06
	£	£	£	£
Loans and mortgages				
Sun Life of Canada mortgage	3,170,000	3,220,000	-	-
Bank loans	3,322,500	3,735,000	-	-
Loan notes	30,838,000	30,838,000	30,838,000	30,838,000
	<u>37,330,500</u>	<u>37,793,000</u>	<u>30,838,000</u>	<u>30,838,000</u>

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 07	31 12 06	31 12 07	31 12 06
	£	£	£	£
Amounts repayable between one and two years	600,000	325,000	-	-
Amounts repayable between two and five years	4,770,000	1,800,000	-	-
Amounts repayable after five years	31,960,500	35,668,000	30,838,000	30,838,000
	<u>37,330,500</u>	<u>37,793,000</u>	<u>30,838,000</u>	<u>30,838,000</u>

17 Share capital

	31 12 07	31 12 06
	£	£
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

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

18 Reserves**Group**

	Revaluation reserve £	Profit and loss account £	Merger reserve £	Total £
Balance at 1st January 2007	47,025,975	25,122,562	578,038	72,726,575
Profit for the year	-	1,896,423	-	1,896,423
Dividends paid	-	(1,533,000)	-	(1,533,000)
Valuation deficit for the year	(1,552,103)	-	-	(1,552,103)
Reserve transfer	(1,842,719)	1,842,719	-	-
Exchange movement	(117,790)	-	-	(117,790)
Balance at 31st December 2007	43,513,363	27,328,704	578,038	71,420,105

Company

Balance at 1st January 2007	6,854,518	2,047,282	8,901,800
Profit for the year	-	1,615,283	1,615,283
Dividends paid	-	(1,533,000)	(1,533,000)
Valuation surplus for the year	458,388	-	458,388
Balance at 31st December 2007	7,312,906	2,129,565	9,442,471

Of the balance on the profit and loss account for the company at 31st December 2007, £1,378,380 (2006 - £1,378,380) 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.

19 Minority interest

	31 12 07 £	31 12 06 £
Minority interest comprises		
Net assets of a subsidiary	65,616	74,911

20 Contingent liabilities

No such liabilities are known to the directors.

21 Commitments under operating leases

As at 31st December 2007, the group had annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	31 12 07 £	31 12 06 £
Those which expire after five years	154,289	154,139

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

22 Related party transactions

- (i) The group rented properties on normal commercial terms at a cost of £85,906 (2006 - £85,906) to companies of which Mr H J H Bandet was a director and Mr H J H Bandet Ms R E L Bandet and Mrs I A M F Boyer were shareholders of the ultimate parent company
- (ii) Management and consultancy fees totalling £86,956 (2006 - £85,780) 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 £18,988 (2006 - £18,195) were paid to Ms R E L Bandet by a group company
- (iv) Included in interest receivable is an amount of £Nil (2006 - £62,055) received on loans to the joint venture partnership
- (v) Included in interest receivable is an amount of £1,348,684 (2006 - £1,348,684) receivable on loan notes issued by a related company under common control
- (vi) Included in interest payable is an amount of £1,441,198 (2006 - £1,441,198) payable on loan notes issued to a related company under common control

23 Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31 12 07 £	Year to 31 12 06 £
Operating profit	3,099,840	3,403,503
Depreciation charges	13,129	16,540
Exchange loss	20,752	180,737
Increase in stock	(13,500)	(4,221)
(Increase)/decrease in debtors	(389,339)	818,114
(Decrease)/increase in creditors	(132,380)	141 658
Net cash inflow from operating activities	2,598,502	4,556,331

24 Reconciliation of net cash flow to movement in net debt

	Year to 31 12 07 £	Year to 31 12 06 £
Increase in cash in the year	1,050,083	8,375,868
Repayment of loans	187,500	290,000
Change in net debt	1 237,583	8,665,868
Net debt at 1st January 2007	(27,799,541)	(36,465,409)
Net debt at 31st December 2007	(26,561,958)	(27,799,541)

Notes forming part of the financial statements for the year ended 31st December 2007 (continued)

25 Analysis of net debt

	at 01 01 07 £	Cashflow £	At 31 12 07 £
Cash at bank and in hand	10,318,459	1,050,083	11,368,542
Debt due within one year	(325,000)	(275,000)	(600,000)
Debt due after more than one year	(37,793,000)	462,500	(37,330,500)
	<u>(27,799,541)</u>	<u>1,237,583</u>	<u>(26,561,958)</u>