

Company Registration No. 3360708 (England and Wales)

PIXIEACRE LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006**

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PIXIEACRE LIMITED

COMPANY INFORMATION

Directors	G T Mascolo P P Mascolo R J Staal
Secretary	R W L Berrow
Company number	3360708
Registered office	19 Doughty Street London WC1N 2PL
Auditors	HW 30 Camp Road Farnborough Hampshire GU14 6EW

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2006**

The directors present their report and financial statements for the year ended 31 August 2006.

Principal activities

The principal activity of the company continued to be that of a property investment company.

Directors

The following directors have held office since 1 September 2005:

G T Mascolo
P P Mascolo
R J Staal

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 August 2006	1 September 2005
G T Mascolo	1	1
P P Mascolo	1	1
R J Staal	-	-

R J Staal is an alternate director for G T Mascolo, and can act as director in his absence.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, HW, will be deemed to be reappointed for each succeeding financial year.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2006**Directors' responsibilities**

The directors are responsible for preparing 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) 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 the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



R W L Berrow

Secretary

Dated 15th December 2006

PIXIEACRE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIXIEACRE LIMITED

We have audited the financial statements of Pixieacre Limited on pages 5 to 11 for the year ended 31 August 2006. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 in our opinion the information given in the directors' report is consistent with the 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.

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 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.

PIXIEACRE LIMITED

**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF PIXIEACRE LIMITED**

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 August 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 directors' report is consistent with the financial statements.

HW



**Registered Auditors and
Chartered Accountants**

22 January 2007

30 Camp Road
Farnborough
Hampshire
GU14 6EW

PIXIEACRE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2006

	Notes	2006 £	2005 £
Turnover		293,850	287,069
Cost of sales		(2,315)	-
Gross profit		291,535	287,069
Administrative expenses		(2,615)	(4,123)
Operating profit	2	288,920	282,946
Other interest receivable and similar income	3	2,903	-
Interest payable and similar charges		(101,424)	(108,616)
Profit on ordinary activities before taxation		190,399	174,330
Tax on profit on ordinary activities	4	(56,118)	(52,887)
Profit for the year	10	134,281	121,443

PIXIEACRE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 AUGUST 2006

	Notes	2006 £	2005 £
Profit for the financial year		134,281	121,443
Prior year adjustment	10	-	131,102
Total gains and losses recognised since last financial statements		<u>134,281</u>	<u>252,545</u>

PIXIEACRE LIMITED

BALANCE SHEET AS AT 31 AUGUST 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	5	3,617,349		3,618,149	
Current assets					
Debtors	6	8,261		30,674	
Cash at bank and in hand		14,666		9,326	
		<u>22,927</u>		<u>40,000</u>	
Creditors: amounts falling due within one year	7	<u>(953,529)</u>		<u>(962,000)</u>	
Net current liabilities		<u>(930,602)</u>		<u>(922,000)</u>	
Total assets less current liabilities		<u>2,686,747</u>		<u>2,696,149</u>	
Creditors: amounts falling due after more than one year	8	<u>(1,331,969)</u>		<u>(1,475,652)</u>	
		<u>1,354,778</u>		<u>1,220,497</u>	
Capital and reserves					
Called up share capital	9		2		2
Revaluation reserve	10		740,162		740,162
Profit and loss account	10		614,614		480,333
Shareholders' funds			<u>1,354,778</u>		<u>1,220,497</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Approved by the Board for issue on 15th December 2006


G T Mascolo
Director

PIXIEACRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents rents receivable in the United Kingdom, net of Value Added Tax.

1.3 Tangible fixed assets and depreciation

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

1.4 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

2 Operating profit

	2006 £	2005 £
Operating profit is stated after charging:		
Auditors' remuneration	1,900	1,900

3 Investment income

	2006 £	2005 £
Other interest	2,903	-

PIXIEACRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

4	Taxation	2006 £	2005 £
	Domestic current year tax		
	U.K. corporation tax	56,118	52,887
	Current tax charge	56,118	52,887

5	Tangible fixed assets	Investment properties £
	Cost or valuation	
	At 1 September 2005	3,618,149
	Disposals	(800)
	At 31 August 2006	3,617,349

The valuations of investment properties were made as at 31 August 2004 by qualified external valuers, Stiles Harold Williams, on an open market basis in accordance with the practice statements of the Royal Institute of Chartered Surveyors Appraisal Valuation Manual. No depreciation is provided in respect of these properties and the directors consider that there has been no material change in the market value to 31 August 2006. No provision has been made against cost unless there is considered to be a permanent fall in the value of the properties.

On an historical cost basis these would have been included at an original cost of £2,877,987 (2005 : £2,877,987).

The company has an unprovided deferred tax liability arising on the revaluations of investment properties of £144,603 (2005 : £218,014).

6	Debtors	2006 £	2005 £
	Trade debtors	8,261	30,674

PIXIEACRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

7 Creditors: amounts falling due within one year	2006	2005
	£	£
Bank loans and overdrafts	245,076	245,076
Trade creditors	20	20
Taxation and social security	33,805	42,383
Other creditors	674,628	674,521
	<u>953,529</u>	<u>962,000</u>

The bank loans and overdraft are secured as detailed in note 7.

The directors, G T Mascolo and P P Mascolo have provided the company with loans of £350,999 (2005: £350,999) and £300,999 (2005: £300,999) respectively. These loans are interest free and are included on other creditors.

8 Creditors: amounts falling due after more than one year	2006	2005
	£	£
Bank loans	<u>1,331,969</u>	<u>1,475,652</u>
Analysis of loans		
Wholly repayable within five years	1,577,045	1,720,728
Included in current liabilities	(245,076)	(245,076)
	<u>1,331,969</u>	<u>1,475,652</u>

The bank loan is secured by a fixed and floating charge over the assets of the company.

9 Share capital	2006	2005
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

PIXIEACRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

10 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 September 2005	740,162	480,333
Profit for the year	-	134,281
Balance at 31 August 2006	<u>740,162</u>	<u>614,614</u>

11 Prior year adjustment

In 2004 a deficit on the valuation of the freehold properties, of £131,102, was incorrectly charged to the revaluation reserve. The directors consider that the deficit is not expected to be permanent and therefore the properties have been amended to be carried at cost.

12 Related party transactions

Mascolo Limited is considered to be a related party due to G T Mascolo being a common director.

During the year rents received from Mascolo Limited amounted to £293,500 (2005: £243,826) and at the year end £nil (2004 : £26,472) was owed by Mascolo Limited. There are loans from the shareholders and directors of £651,998 (2005 : £651,998) as detailed in note 6.