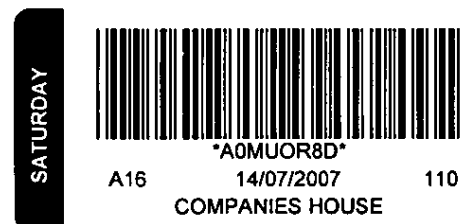


ARUN PROPERTY INVESTMENTS LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007



Registered number: 3527607

ARUN PROPERTY INVESTMENTS LIMITED DIRECTORS' REPORT

Directors:	P A Rooney B T Matthews
Secretary:	C A Coxon
Registered office:	St Leonard's House, North Street, Horsham, West Sussex, RH12 1RJ
Registered number:	3527607

The directors present their report together with the audited financial statements of the company for the year ended 31 March 2007

Statement of 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 period 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

- (i) select suitable accounting policies and then apply them consistently,
- (ii) make judgements and estimates that are reasonable and prudent,
- (iii) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the 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

Results and dividends

The results for the year are set out on page 6 of the financial statements

The directors do not recommend the payment of a dividend and the profit for the year will be transferred to reserves

Principal activity

The principal activity of the company is the letting of properties to group companies

ARUN PROPERTY INVESTMENTS LIMITED
DIRECTORS' REPORT (continued)

Fair review of the business

The company made a profit before taxation of £179,805 during the year compared to £376,941 in 2006. This result reflects a decrease in the number of properties rented to group companies following the sale of property in 2006.

Development and performance of the business

The company has continued to perform to expectations during 2006/2007.

Future developments of the business

Since the year end the company has continued to trade profitably. The directors are confident that the year to 31 March 2008 will produce another satisfactory performance.

Position of the company at the year end

At the year end the company had net assets of £2,227,956 (2006: £958,561).

Description of principal risks and uncertainties

The principal risk to the business is the continued requirement of the properties to be utilised by group companies. The level of this requirement is dependant upon the trading conditions of these companies to whom the principal risk is the health of the UK residential property market.

Directors and their interests

The directors of the company at 31 March 2007 are shown above.

No director at 31 March 2007 had any beneficial interest in the share capital of the company. The directors' interests in the share capital of the holding company are disclosed in that company's financial statements.

Fixed assets

The fixed assets are summarised in note 6 to the financial statements.

During the year the directors undertook a revaluation of the freehold properties. This valued the assets at £3,825,617, an increase of £1,143,532 on the historical carrying cost of £2,682,085.

ARUN PROPERTY INVESTMENTS LIMITED
DIRECTORS' REPORT (continued)

Auditors

- (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

Warrener Stewart, Chartered Accountants, of Harwood House, 43 Harwood Road, London, SW6 4QP will be proposed for re-appointment as auditors of the company at the forthcoming Annual General Meeting

By Order of the Board

C A Coxon



11 July 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARUN PROPERTY INVESTMENTS LIMITED

We have audited the financial statements of Arun Property Investments Limited for the year ended 31 March 2007 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of 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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARUN PROPERTY INVESTMENTS LIMITED (continued)**

Opinion

In our opinion,

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the information given in the directors' report is consistent with the financial statements, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985



WARRENER STEWART

Chartered Accountants and Registered Auditors

Harwood House
43 Harwood Road
London
SW6 4QP

11 July 2007

ARUN PROPERTY INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2007

	Notes	£	2006 £
Turnover	2	187,187	244,221
Operating charges	3	(2,406)	(2,119)
Profit on disposal of tangible fixed assets		-	145,700
Operating profit		<u>184,781</u>	<u>387,802</u>
Interest payable	4	(4,976)	(10,861)
Profit on ordinary activities before taxation		<u>179,805</u>	<u>376,941</u>
Tax on profit on ordinary activities	5	(53,942)	(69,372)
Profit on ordinary activities after taxation for the financial year	10	<u>£ 125,863</u>	<u>£ 307,569</u>

The results shown above are derived wholly from continuing operations

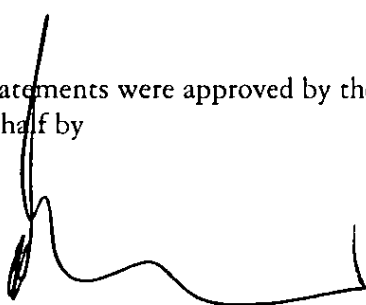
The attached notes 1 to 11 form a part of these financial statements

ARUN PROPERTY INVESTMENTS LIMITED
BALANCE SHEET AS AT 31 MARCH 2007

	Notes	£	2006 £
Fixed assets			
Tangible assets	6	3,825,617	2,682,085
Creditors Amounts falling due within one year	7	(1,546,880)	(1,653,940)
Total assets less current liabilities		<u>2,278,737</u>	<u>1,028,145</u>
Creditors Amounts falling due after more than one year	8	(50,781)	(69,584)
		<u>£ 2,227,956</u>	<u>£ 958,561</u>
Capital and reserves			
Called up share capital	9	1	1
Revaluation reserve	10	1,143,532	-
Profit and loss account	10	1,084,423	958,560
Shareholder's funds	10	<u>£ 2,227,956</u>	<u>£ 958,561</u>

The financial statements were approved by the Board on 11 July 2007 and signed on its behalf by

P A Rooney
 Director



The attached notes 1 to 11 form a part of these financial statements

ARUN PROPERTY INVESTMENTS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2007

	Notes	£	2006 £
Profit for the financial year		125,863	307,569
Revaluation gains in respect of freehold properties	6	1,143,532	-
Total recognised gains and loss relating to the financial year		£ 1,269,395	£ 307,569

The attached notes 1 to 11 form a part of these financial statements

ARUN PROPERTY INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties, and in accordance with applicable accounting standards. As the company is a wholly owned subsidiary of Arun Estate Agencies Limited it has taken advantage of the partial exemption contained in Financial Reporting Standard 8 and has not disclosed transactions with other group companies

Cashflow Statement

The company has taken advantage of the exemption from Financial Reporting Standard 1 from the requirement to produce a cashflow statement on the grounds that the parent company, Arun Estate Agencies Limited, includes the company in its own published consolidated financial statements

Turnover

Turnover comprises rents receivable, net of value added tax

Deferred taxation

Deferred taxation is provided using the full provision method. Deferred tax is recognised in respect of all timing differences, which have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

It is the company's policy not to discount deferred tax to reflect the time value of money

Depreciation

Given the lives of the company's freehold properties are so long and that they are maintained to such a high standard, it is the opinion of the directors that the residual values are sufficiently high to make any depreciation charge immaterial.

The useful economic life of freehold properties is reviewed at the end of each reporting period and revised if expectations are significantly different from previous estimates

ARUN PROPERTY INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007 (continued)

1 TURNOVER

The turnover and profit for the year are attributable to the principal activity of the company and are derived wholly from within the United Kingdom

2 OPERATING CHARGES

	£	2006 £
Auditors' remuneration	2,377	1,350
Other operating charges	29	769
	<u>£ 2,406</u>	<u>£ 2,119</u>

4 INTEREST PAYABLE

Interest payable on bank loans	<u>£ 4,976</u>	<u>£ 10,861</u>
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5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge in the year:

UK corporation tax at 30% (2006 30%)	<u>£ 53,942</u>	<u>£ 69,372</u>
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The company has capital losses of approximately £17,400 available to carry forward against future capital gains subject to agreement by HM Revenue & Customs

ARUN PROPERTY INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for the year:

The corporation tax assessed for the year is different from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	£	2006 £
Profit on ordinary activities before tax	179,805	376,941
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	53,942	113,082
Effects of		
Expenses not deductible for tax purposes	-	(734)
Utilisation of brought forward capital losses	-	(7,960)
Indexation on disposal of properties	-	(35,016)
Current tax charge for the year	<u>£ 53,942</u>	<u>£ 69,372</u>

6. TANGIBLE FIXED ASSETS

	Freehold properties £
Cost or valuation:	
At 1 April 2006	2,682,085
Revaluation in year	1,143,532
At 31 March 2007	<u>£ 3,825,617</u>

The historic cost of freehold properties at the year end was £2,682,085 The properties were revalued to open market value by the directors as at 31 March 2007

ARUN PROPERTY INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007 (continued)

7. CREDITORS: Amounts falling due within one year	£	2006 £
Bank loans (see note 8)	23,050	25,708
Corporation tax	53,942	69,372
Amounts owed to parent undertaking	1,421,316	1,511,088
Accruals and deferred income	47,588	46,788
Other taxes and social security	984	984
	<u>£ 1,546,880</u>	<u>£ 1,653,940</u>

8 CREDITORS: Amounts falling due after more than one year

Bank loans	<u>£ 50,781</u>	<u>£ 69,584</u>
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The bank loans are secured on certain of the company's freehold properties and are analysed by maturity below

Between one and two years	23,752	25,708
Between two and five years	27,029	43,876
	<u>50,781</u>	<u>69,584</u>
Repayable after more than one year	50,781	69,584
Repayable within one year	23,050	25,708
	<u>£ 73,831</u>	<u>£ 95,292</u>

ARUN PROPERTY INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007 (continued)

9	SHARE CAPITAL	£	2006 £
	Authorised		
	1,000 ordinary shares of £1 each	£ 1,000	£ 1,000
		<u> </u>	<u> </u>
	Allotted, issued and fully paid		
	1 ordinary share of £1 each	£ 1	£ 1
		<u> </u>	<u> </u>

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Share Capital £	Revaluation Reserve £	Profit & loss account £	Total £
At 1 April 2006	1	-	958,560	958,561
Profit for the financial year	-	-	125,863	125,863
Revaluation in the year	-	1,143,532	-	1,143,532
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2007	£ 1	£ 1,143,532	£ 1,084,423	£2,227,956
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11. ULTIMATE PARENT UNDERTAKING AND CONTROL

The ultimate parent undertaking is Arun Estate Agencies Limited, a company registered in England

The ultimate controlling party is P A Rooney, who owns 100% of the ordinary share capital in Arun Estate Agencies Limited