

Key Property Investments (Number Five) Limited

Report and Accounts

30 November 2004

Registered Number 04434716



Key Property Investments (Number Five) Limited

Directors' Report

The directors present their report and financial statements for the year ended 30 November 2004.

Results and Dividends

The retained profit of £838,000 (2003: £1,655,000) has been transferred to reserves.

An interim dividend of £1,250,000 (2003: £nil) was declared. The directors do not recommend the payment of a final dividend for the year (2003: £nil).

Principal Activity

The principal activity of the Company is that of property investment and development.

Review of the Business

The directors consider that the result and future prospects are satisfactory. No changes are envisaged.

Directors and their Interests

The directors who have served during the year are:

G Alnafisi
D K S Bushe
N S Doyle
R L Froggatt
C C A Glossop (resigned 16 August 2004)
A Al Hamdan (appointed 24 January 2004)
W A Oliver (appointed 24 January 2004)
A Al Usaimi

None of the directors had any interests in the share capital of the company.

Auditors

Ernst & Young LLP have expressed a willingness to remain in office and a resolution to reappoint Ernst & Young LLP will be put forward at the Annual General Meeting.

By order of the board



T P Haywood

Secretary

Date 28 April 2005

Statement of Directors' Responsibilities in Relation to the Financial Statements

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 accounts 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.

Independent Auditors' Report to the Members of Key Property Investments (Number Five) Limited

We have audited the company's financial statements for the year ended 30 November 2004 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds, Accounting Policies and the related notes 1 to 15. These financial statements have been prepared on the basis of 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 auditors' 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 the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 November 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

Date 24 MAY 2005

Key Property Investments (Number Five) Limited

Profit and Loss Account

For the year ended 30 November 2004

	Notes	2004 £'000	2003 £'000
Turnover	1	<u>3,691</u>	<u>3,182</u>
Operating profit	1	2,869	2,457
Revaluation surplus on investment properties		-	8
Net interest receivable	2	3	2
Profit on ordinary activities before taxation	3	<u>2,872</u>	<u>2,467</u>
Taxation on profit on ordinary activities	5	(784)	(812)
Profit on ordinary activities after taxation		<u>2,088</u>	<u>1,655</u>
Dividends	6	(1,250)	-
Transferred to reserves		<u>838</u>	<u>1,655</u>

All activities derive from continuing operations.

A statement of the movement in reserves is shown in note 12.

Key Property Investments (Number Five) Limited

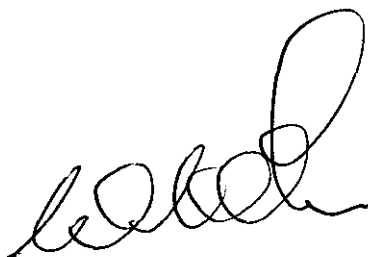
Balance Sheet

At 30 November 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	7	<u>38,966</u>	<u>32,340</u>
Current assets			
Debtors	8	34	208
Current liabilities			
Creditors: amounts falling due within one year	9	(28,559)	(29,469)
Net current liabilities		<u>(28,525)</u>	<u>(29,261)</u>
Total assets less current liabilities		10,441	3,079
Provisions for liabilities and charges	10	(46)	(32)
Net assets		<u>10,395</u>	<u>3,047</u>
Capital and reserves			
Called up share capital	11	-	-
Revaluation reserve	12	7,497	987
Profit and loss account	12	2,898	2,060
Equity shareholders' funds		<u>10,395</u>	<u>3,047</u>

The Report and Accounts were approved by the Board of Directors on 28 April 2005

Signed on behalf of the Board of Directors by



W A Oliver

Director

Key Property Investments (Number Five) Limited

Supplementary Statements

For the year ended 30 November 2004

	2004 £'000	2003 £'000
Statement of Total Recognised Gains and Losses		
Profit for the year	2,088	1,655
Unrealised surplus on revaluation of investment properties	6,510	987
Total recognised gains and losses for the year	<u>8,598</u>	<u>2,642</u>
	2004 £'000	2003 £'000
Reconciliation of Movements in Shareholders' Funds		
Profit attributable to shareholders	2,088	1,655
Dividends paid	(1,250)	-
Unrealised surplus on revaluation of investment properties	6,510	987
Net addition to shareholders' funds	<u>7,348</u>	<u>2,642</u>
Opening shareholders' funds	3,047	405
Closing shareholders' funds	<u>10,395</u>	<u>3,047</u>

Key Property Investments (Number Five) Limited

Accounting Policies

The accounts and notes have been prepared in accordance with applicable accounting standards. However, compliance with SSAP19 "accounting for investment properties" requires departure from the Companies Act 1985 relating to depreciation and an explanation of the departure is given below.

Basis of Preparation

The accounts have been prepared under the historical cost convention, modified by the revaluation of investment properties.

The company is dependent upon support from its parent company. This finance and support is available for the foreseeable future and the directors believe that it is therefore appropriate to prepare accounts on a going concern basis.

Turnover and Profit Recognition

Turnover represents sales of development properties, rental income receivable in accordance with UITF28 and other recoveries.

Investment Properties

In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or temporary deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Deferred Taxation

In accordance with FRS19, deferred taxation is provided at the rate ruling at the balance sheet date on timing differences which arise from the recognition of income and expenditure in differing periods for taxation and accounting purposes. Under this policy no provision has been made for the potential further liability to taxation which would arise in the event of the realisation of investment properties included at valuation in the accounts at the values attributed to them.

Key Property Investments (Number Five) Limited

Notes to the Accounts

1. Turnover and Profit Analysis

	Turnover £'000	2004 Cost of sales £'000	Profit £'000
Rental income	<u>3,691</u>	<u>(812)</u>	2,879
Administrative and other operating expenses			(10)
Operating profit			<u>2,869</u>

	Turnover £'000	2003 Cost of sales £'000	Profit £'000
Rental income	<u>3,182</u>	<u>(920)</u>	2,262
Administrative and other operating expenses			195
Operating profit			<u>2,457</u>

2. Net interest receivable

	2004 £'000	2003 £'000
Interest receivable	<u>3</u>	<u>2</u>

3. Profit on ordinary activities before taxation

Auditors' remuneration was borne by a fellow subsidiary undertaking, Key Property Investments (Number One) Limited.

4. Employees

None of the directors received any remuneration during the period (2003:£nil).

The company has no employees. The company is operated on a day to day basis by Redman Heenan Properties Ltd, a subsidiary of St Modwen Properties PLC. Under an arms length management agreement Redman Heenan Properties Ltd receive 2% of income received for managing the property portfolio.

Key Property Investments (Number Five) Limited

Notes to the Accounts (continued)

5. Taxation on Profit on ordinary activities

	2004 £'000	2003 £'000
(a) Analysis of charge in period		
Current tax		
UK Corporation Tax on profits of the period	437	715
Group Relief Payable	410	-
Adjustments in respect of previous periods	(77)	87
Total current tax (note (b))	<u>770</u>	<u>802</u>
Deferred tax		
Origination and reversal of timing differences (note 10)	14	10
Taxation on profits on ordinary activities	<u>784</u>	<u>812</u>
	2004	2003

(b) Factors affecting tax charge for period

Profit on ordinary activities before tax	<u>2,872</u>	<u>2,467</u>
Profit on ordinary activities at the standard rate of UK Corporation Tax	861	740
Disallowed expenses and non taxable income	-	(2)
Capital allowances for the period in excess of depreciation	(14)	(19)
Adjustments to tax charge in respect of previous periods	(77)	87
Differences in tax rates	-	(4)
	<u>770</u>	<u>802</u>

(c) Factors that may affect future tax charges

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years.

No provision has been made for deferred tax on gains recognised on revaluing investment properties to market value. Such tax would become payable only if the properties were sold. The total amount unprovided is £1,486,000 (2003: £nil)

6. Dividends

	2004 £'000	2003 £'000
Ordinary £1 shares		
- interim dividend	<u>1,250</u>	<u>-</u>

Key Property Investments (Number Five) Limited

Notes to the Accounts (continued)

7. Tangible Fixed Assets

	Freehold investment properties
<i>Cost or Valuation</i>	£'000
At 30 Nov 2003	32,340
Additions	116
Surplus on revaluation	6,510
At 30 Nov 2004	<u>38,966</u>

Freehold investment properties were valued as at 30 November 2004 by Colliers CRE, Chartered Surveyors in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of open market value.

Historical cost of investment properties:

	2004 £'000	2003 £'000
Freehold investment properties	<u>31,469</u>	<u>31,353</u>

8. Debtors

	2004 £'000	2003 £'000
<i>Amounts falling due within one year</i>		
Trade debtors	-	196
Other debtors	34	12
	<u>34</u>	<u>208</u>

9. Creditors

	2004 £'000	2003 £'000
<i>Amounts falling due within one year</i>		
Trade creditors	80	52
Amounts due to joint venture and associated companies	27,294	28,218
Corporation tax	437	87
Other taxation and social security	149	125
Accruals and deferred income	599	987
	<u>28,559</u>	<u>29,469</u>

Key Property Investments (Number Five) Limited

Notes to the Accounts (continued)

10. Deferred Taxation

	Provided		Unprovided	
	2004	2003	2004	2003
	£	£	£	£
The amounts of deferred taxation provided and unprovided in the accounts are:				
- capital allowances in excess of depreciation	46	32	-	-
Revaluation of properties	-	-	1,486	-
	<u>46</u>	<u>32</u>	<u>1,486</u>	<u>-</u>
Reconciliation of movement on deferred tax liability:				
				2004
				£
Balance as at 30 November 2003				32
Profit and loss account				14
Balance as at 30 November 2004				<u>46</u>

11. Called up share capital

	2004	2003
	£	£
Authorised:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted and fully paid:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

12. Reserves

	Revaluation Reserve	Profit & Loss Account
	£'000	£'000
At 30 November 2003	987	2,060
Revaluation of investment properties	6,510	-
Retained profit for the year	-	838
At 30 November 2004	<u>7,497</u>	<u>2,898</u>

Notes to the Accounts (continued)

13. Commitments and Contingencies

At 30 November 2004 the company had no contracted capital expenditure (2003: £nil).

14. Parent Undertaking and Controlling Parties

The company's immediate parent undertaking is Key Property Investments Limited, a company incorporated in the United Kingdom and registered in England and Wales. It has included the company in its group accounts, copies of which are available from its registered office: 1st Floor, Lyndon House, 58/62 Hagley Road, Edgbaston, Birmingham, B16 8PE.

The company's ultimate controlling parties are St Modwen Properties PLC, a company incorporated in the United Kingdom and registered in England and Wales; and Salhia Real Estate Company k.s.c., a company registered in Kuwait

15. Related Party Transactions

As the company is wholly owned by the group, it has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose transactions with other companies in the group.

During the year management fees of £95,000 (2003: £96,000) were paid to Redman Heenan Properties Limited, a subsidiary of St Modwen Properties PLC, under an arms length agreement.