

**REPORTS AND FINANCIAL STATEMENTS**  
**NERO INVESTMENT COMPANY LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**



**NERO INVESTMENT COMPANY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**CONTENTS**

	PAGE
DIRECTORS AND OTHER INFORMATION	2
DIRECTORS' REPORT	3
STATEMENT OF DIRECTORS' RESPONSIBILITIES	4
INDEPENDENT AUDITORS' REPORT	5 - 6
STATEMENT OF ACCOUNTING POLICIES	7
PROFIT AND LOSS ACCOUNT	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 15
SUPPLEMENTARY INFORMATION	16 - 17

**NERO INVESTMENT COMPANY LIMITED**

**DIRECTORS AND OTHER INFORMATION**

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**DIRECTORS**

J. A. Leonard  
G. McLellan

**SECRETARY**

J.A. Leonard

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2.

**BANKERS**

Allied Irish Banks plc  
40/41 Westmoreland Street  
Dublin 2.

**SOLICITORS**

Eversheds  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4JL.

**REGISTERED OFFICE**

Hill House  
1 Little New Street  
London EC4A 3TR

**COMPANY REGISTRATION NUMBER**

2226916

# NERO INVESTMENT COMPANY LIMITED

## DIRECTORS' REPORT

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The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### REVIEW OF DEVELOPMENTS

The Company continues to be a property investment holding company.

### RESULTS AND STATE OF AFFAIRS

The results for the year and the state of affairs at the year end are set out on pages 8 and 9 respectively.

### DIRECTORS

A full list of the directors of the company is given on page 2.

### DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The Directors and secretary of the Company who held office at 31 December 2005 had no interests in the shares of the Company.

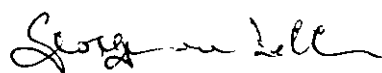
The Directors and secretary of the Company who held office at 31 December 2005 had the following interests in the shares of Clarendon Properties (Holdings) Limited, the ultimate holding company:

	Ordinary Shares of €1.27 each	
	31 December 2005	31 December 2004
J. A. Leonard	50	50
	<hr/>	<hr/>

### AUDITORS

The Auditors, Deloitte & Touche, Chartered Accountants, have signified their willingness to continue in office and a resolution will be proposed at the annual general meeting to re-appoint them as Auditors and to authorise the directors to fix their remuneration.

Signed on behalf of the Board:



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DIRECTORS

Date: 26th October 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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United Kingdom 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 at the end of its financial year and of the profit or loss for the financial year.

In preparing the 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.
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with the Companies Act 1985.

The directors have responsibility for taking reasonable steps to safeguard the company's assets and to prevent and detect fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NERO INVESTMENT COMPANY LIMITED

We have audited the financial statements of Nero Investment Company Limited for the year ended 31 December 2005, which comprise the statement of accounting policies, the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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.

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NERO INVESTMENT COMPANY LIMITED

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

  
Chartered Accountants and Registered Auditors  
Dublin

*26 October 2006*

# **NERO INVESTMENT COMPANY LIMITED**

## **STATEMENT OF ACCOUNTING POLICIES**

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The significant accounting policies adopted by the company are as follows:

### **BASIS OF PREPARATION**

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, and comply with financial reporting standards of the Accounting Standards Board and UK statute including the Companies Act, 1985.

### **FOREIGN CURRENCIES**

Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Exchange differences arising are taken to the profit and loss account.

### **PROPERTIES HELD FOR RESALE**

Properties held for resale are carried at the lower of cost and net realisable value.



**NERO INVESTMENT COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 €	2004 €
<b>TURNOVER</b>	1	13,562,160	15,834,453
Cost of sales		(12,557,137)	(7,945,519)
<b>GROSS PROFIT</b>		<u>1,005,023</u>	<u>7,888,934</u>
Administrative expenses		(174,422)	(169,530)
<b>OPERATING PROFIT</b>		<u>830,601</u>	<u>7,719,404</u>
Investment income	2	155,083	401,952
Interest payable	3	(731,041)	(555,780)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>254,643</u>	<u>7,565,576</u>
Taxation	5	-	(7)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><u>254,643</u></u>	<u><u>7,565,569</u></u>

All recognised gains and losses for the year are included in the Profit and Loss account. All results arose from continuing activities.

The financial statements were approved by the Board of Directors on 26th October 2006 and signed on its behalf by:

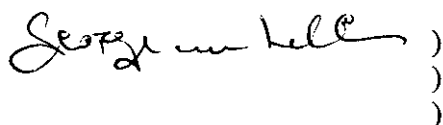
*George M. Kell* )  
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DIRECTORS

**NERO INVESTMENT COMPANY LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2005**

	Notes	2005 €	2004 €
<b>CURRENT ASSETS</b>			
Financial assets	6	178	178
Properties held for resale	7	-	12,543,603
Debtors	8	9,870,325	9,354,376
Cash at bank and in hand		39,539	403,956
		<u>9,910,042</u>	<u>22,302,113</u>
<b>CREDITORS: (Amounts falling due in less than one year)</b>	9	(37,515)	(152,956)
<b>NET CURRENT ASSETS</b>		<u>9,872,527</u>	<u>22,149,157</u>
<b>CREDITORS: (Amounts falling due after more than one year)</b>	10	(2,470,930)	(15,002,203)
<b>NET ASSETS</b>		<u>7,401,597</u>	<u>7,146,954</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	11	21,020,190	21,020,190
Profit and loss account	12	(13,618,593)	(13,873,236)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	13	<u>7,401,597</u>	<u>7,146,954</u>
<b>Analysed as follows:</b>			
Equity		(6,538,477)	(6,793,120)
Non-equity		13,940,074	13,940,074
		<u>7,401,597</u>	<u>7,146,954</u>

The financial statements were approved by the Board of Directors on 26<sup>th</sup> October 2006 and signed on its behalf by:

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DIRECTORS

**NERO INVESTMENT COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 €	2004 €
<b>Net cash inflow from operating activities</b>	16	217,102	544,530
<b>Returns on investments and servicing of finance</b>			
Interest paid		(731,041)	(555,780)
Dividend received		155,083	401,952
		<u>(575,958)</u>	<u>(153,828)</u>
<b>Taxation</b>		-	(7)
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets		<u>(5,561)</u>	-
(Decrease)/increase in cash in the year	17	<u><u>(364,417)</u></u>	<u><u>390,695</u></u>

**NERO INVESTMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

**1. TURNOVER**

Turnover, which is exclusive of value added tax, comprises rental income and proceeds from disposal of properties held for resale.

<b>2. INVESTMENT INCOME</b>	2005	2004
	€	€

Dividend received from group company	155,083	401,952
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<b>3. INTEREST PAYABLE</b>	2005	2004
	€	€

Interest payable to group company	731,041	555,780
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<b>4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2005	2004
	€	€

Profit before taxation is stated after charging:

Directors' remuneration	6,433	14,043
Auditors' remuneration	-	-
Depreciation	37,599	37,598

The company had no employees during the financial year.

Audit costs were borne by another group company.

<b>5. TAXATION</b>	2005	2004
	€	€

Adjustment in respect of prior year	-	7
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No tax charge arises due to losses incurred.

**Factors affecting the tax charge for the year:**

Profit on ordinary activities before taxation	254,643	7,565,576
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Tax at 25% rate of corporation tax	63,661	1,891,394
Inter group dividend not subject to tax	(38,771)	(100,488)
Losses forward	(2,782)	(15,906)
Other group sales not subject to tax	(22,108)	(1,775,000)

**NERO INVESTMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2005**

6. FINANCIAL ASSETS	2005 €	2004 €
Investment in group company at cost	178	178

Investment is in City Properties (Cork) Limited and represents 140 "B" ordinary shares of €1.269738 each.

**7. PROPERTIES HELD FOR RESALE**

	Freehold and long leasehold properties €	Plant and machinery €	Total €
<b>Cost:</b>			
Brought forward at 1 January 2005	12,349,343	250,657	12,600,000
Additions	5,561	-	5,561
Disposals at cost	(12,354,904)	(250,657)	(12,605,561)
At 31 December 2005	-	-	-
<b>Accumulated depreciation:</b>			
Opening balance	-	56,397	56,397
Charge for year	-	37,599	37,599
Eliminated on disposal	-	(93,996)	(93,996)
At 31 December 2005	-	-	-
<b>Net Book Value:</b>			
At 31 December 2005	-	-	-
At 31 December 2004	12,349,343	194,260	12,543,603

**NERO INVESTMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2005**

<b>8. DEBTORS:</b> (Amounts falling due within one year)	2005 €	2004 €
Trade debtors	14,451	52,600
Amounts due from group undertakings	9,854,663	9,301,558
Other debtors	218	218
Taxation	993	-
	<u>9,870,325</u>	<u>9,354,376</u>

A potential deferred tax asset of €Nil (2004: €19,039) has not been recognised because in the opinion of the directors, the recoverability of this asset is relatively uncertain.

<b>9. CREDITORS:</b> (Amounts falling due in less than one year)	2005 €	2004 €
Trade creditors and accruals	37,515	152,956
	<u>37,515</u>	<u>152,956</u>

<b>10. CREDITORS:</b> (Amounts falling due after more than one year)	2005 €	2004 €
Loan	2,402,203	2,402,203
Amount due to group companies	68,727	12,600,000
	<u>2,470,930</u>	<u>15,002,203</u>

<b>11. CALLED-UP SHARE CAPITAL</b>	2005 €	2004 €
<b>Authorised, called-up and fully paid:</b>		
25,000 'A' Ordinary shares of Stg£1 each	40,058	40,058
25,000 'B' Ordinary shares of Stg£1 each	40,058	40,058
4,695,250 'C' Ordinary shares of Stg£1 each	7,000,000	7,000,000
	<u>7,080,116</u>	<u>7,080,116</u>
8,700,000 Redeemable Preference shares of Stg£1 each	13,940,074	13,940,074
	<u>21,020,190</u>	<u>21,020,190</u>

**NERO INVESTMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2005**

12. PROFIT AND LOSS ACCOUNT	2005 €	2004 €
Balance at beginning of year	(13,873,236)	(21,438,805)
Profit for the financial year	254,643	7,565,569
Balance at end of year	<u>(13,618,593)</u>	<u>(13,873,236)</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2005 €	2004 €
Opening shareholders' funds/(deficit)	7,146,954	(418,615)
Profit for the year	254,643	7,565,569
Closing shareholders' funds	<u>7,401,597</u>	<u>7,146,954</u>

**14. CONTINGENCIES**

The company has guaranteed certain borrowings of the Clarendon Properties (Holdings) Limited Group, and granted a fixed and floating charge over the company's assets in respect of these borrowings.

**15. RELATED PARTY TRANSACTIONS**

**City Properties (Cork) Limited**

During the year the company received €652,536 from City Properties (Cork) Limited, a company related by common shareholders. At the year end the amount owed by City Properties (Cork) Limited was €156,634 (2004: €809,170).

**Clarendon Properties Limited**

During the year the company advanced €7,757,065 to Clarendon Properties Limited, a company related by common shareholders. At the year end the amount owed by Clarendon Properties Limited was €9,450,853 (2004: €1,693,788).

**Clarendon Acquisitions Limited**

During the year the company sold a property for €12,600,000 to Clarendon Acquisitions Limited, a company related by common shareholders. The company received €12,531,273 from Clarendon Acquisitions during the year. At the year end the balance due between Clarendon Acquisitions Limited and the company was €68,727 (2004: €Nil).

**NERO INVESTMENT COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2005**

**15. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Kilfoylan Vale Limited**

During the year the company received €6,580,000 from Kilfoylan Vale Limited, a company related by common shareholders. At the year end the amount owed to the company by Kilfoylan Vale Limited was €Nil (2004: €6,580,000).

**Powerscourt Shopping Centre**

During the year the company advanced €28,576 to Powerscourt Shopping Centre, a company related by common shareholders. At the year end the amount owed by Powerscourt Shopping Centre to the company was €247,176 (2004: €218,600).

**Clarendon Finance Limited**

During the year the company was charged and paid interest of €731,041 by Clarendon Finance Limited, a company related by common shareholders. The company repaid €12,600,000 to Clarendon Finance Limited. The amount owed by the company to Clarendon Finance Limited at the year end was €Nil (2004: €12,600,000).

<b>16. NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2005</b>	<b>2004</b>
	<b>€</b>	<b>€</b>
Operating profit	830,601	7,719,404
Depreciation	37,599	37,598
Decrease in properties held for resale	12,511,565	7,900,000
Increase in debtors	(515,949)	(6,795,494)
Decrease in creditors due within one year	(115,441)	(14,247)
Decrease in creditors due after more than one year	(12,531,273)	(8,302,731)
	<u>217,102</u>	<u>544,530</u>

**17. ANALYSIS OF CHANGES IN CASH AT BANK**

	<b>At 31 December 2004</b>	<b>Cash flow</b>	<b>At 31 December 2005</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Cash in hand and at bank	403,956	(364,417)	39,539
	<u>          </u>	<u>          </u>	<u>          </u>



SUPPLEMENTARY INFORMATION

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(NOT COVERED BY THE INDEPENDENT AUDITORS' REPORT)

**NERO INVESTMENT COMPANY LIMITED**

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005 €	2004 €
<b>TURNOVER</b>		
Rents receivable	962,160	834,453
Proceeds from disposal of properties	12,600,000	15,000,000
	<u>13,562,160</u>	<u>15,834,453</u>
<b>COST OF SALES</b>		
Rent, rates and insurance	5,932	20,460
Property upkeep services	39,640	25,059
Cost of properties disposed	12,511,565	7,900,000
	<u>12,557,137</u>	<u>7,945,519</u>
<b>GROSS PROFIT</b>	<u>1,005,023</u>	<u>7,888,934</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Directors' remuneration	6,433	14,043
Management salaries and costs	4,793	15,666
Printing and stationery	296	1,071
Postage	236	543
Telephone	423	2,241
Motor and travel	4,804	10,309
Professional fees	31,064	35,766
Sundry	6,573	11,276
Depreciation	37,599	37,598
Bank charges	80	43
Bad debts	82,121	40,974
	<u>174,422</u>	<u>169,530</u>
<b>OPERATING PROFIT</b>	<u>830,601</u>	<u>7,719,404</u>