REGISTRAR'S COPY

Scrutton Estates Limited

Financial statements

For the year ended 30 April 2006

Grant Thornton

Company No. 734610

Company information

Company registration number	734610
Registered office	1 Cambus Road LONDON E16 4AY
Directors	Mr C B Scrutton Mrs A M Scrutton Mr T J Scrutton
Secretary	Mrs A M Scrutton
Bankers	National Westminster Bank plc Gredley House 1-11 Broadway Stratford LONDON E15 4BQ
Solicitors	Edwards Duthie 9-15 York Road ILFORD Essex IG1 3AD
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Byron House Cambridge Business Park Cowley Road CAMBRIDGE CB4 0WZ

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 April 2006.

Principal activities and business review

The company is principally engaged in the investment in residential and commercial property.

There was a profit for the year after taxation amounting to £1,001,731 (2005: £982,380). Interim dividends were declared during the year of £300,000 (2005: £300,022).

The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 30 April 2006	At 1 May 2005
Mr C B Scrutton	'A' Ordinary	**5,000**	5,000
	'B' Ordinary	-	-
	'C' Ordinary	-	-
Mrs A M Scrutton	'A' Ordinary	**12,636**	12,636
	'B' Ordinary	**10,136**	10,136
	'C' Ordinary	-	-

Mr T J Scrutton was appointed as a director on 7 July 2006.

In addition to the above C B Scrutton and A M Scrutton have the following interest as trustees of the following trusts:

Scrutton Family Settlement (10,136 'C' ordinary shares)
Mrs B Scrutton settlement of 2/8/91 (11,148 'A' ordinary, 22,398 'B' ordinary and 22,398 'C' ordinary shares)

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 and of the profit or loss of the company for that year. 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

Small company provisions

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

ON BEHALF OF THE BOARD

Mr C B Scrutton
Director

Grant Thornton

Report of the independent auditor to the members of Scrutton Estates Limited

We have audited the financial statements of Scrutton Estates Limited for the year ended 30 April 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, statement of total recognised gains and losses and notes 1 to 18. 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting 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, whether they are properly prepared in accordance with the Companies Act 1985 applicable to small companies and whether 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements 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.

Report of the independent auditor to the members of Scrutton Estates Limited (continued)

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 30 April 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements for the year ended 30 April 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

CAMBRIDGE

12 January 2007

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-FRS 21 'Events after the Balance Sheet date (IAS 10)'; and

-the presentation requirements of 'FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)''.

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

There is no impact on the company's financial statements for the year in respect of this accounting standard.

FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

The new policy adopted by the company is detailed below. There is no impact on the company's financial statements for the year with respect to this accounting standard.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

Turnover is the total amount receivable by the company for services provided.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, in equal installments over the useful economic life of that asset as follows:

Fixtures & plant	-	25% per annum
Motor Vehicles	-	25% per annum

Investment properties

Investment properties are shown at their open market value. The surplus or deficit arising from the revaluation is transferred to the investment revaluation reserve, unless a deficit on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year. No depreciation is charged during the period.

This is in accordance with SSAP 19 which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Profit and loss account

	Note	**2006** £	2005 £
Turnover	1	**1,840,102**	1,730,769
Operating costs:			
Raw materials and consumables		**6,182**	105
Staff costs	3	**293,041**	254,338
Depreciation written off fixed assets	2	**15,571**	15,965
Other operating charges		**249,693**	210,801
Operating profit	2	**1,275,615**	1,249,560
Interest receivable and similar income		**9,016**	3,460
Profit on ordinary activities before taxation		**1,284,631**	1,253,020
Tax on profit on ordinary activities	5	**282,900**	270,640
Profit for the financial year	16	**1,001,731**	982,380

All of the activities of the company are classed as continuing.

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	7	**47,270,886**	46,650,378
Current assets			
Stocks	8	**3,371**	9,553
Debtors	9	**118,639**	88,572
Cash at bank		**292,379**	210,076
		414,389	308,201
Creditors: amounts falling due within one year	11	**373,938**	348,973
Net current assets/(liabilities)		**40,451**	(40,772)
Total assets less current liabilities		**47,311,337**	46,609,606
Capital and reserves			
Called-up equity share capital	15	**120,000**	120,000
Revaluation reserve	16	**41,440,964**	41,440,964
Other reserves	16	**567,247**	567,247
Profit and loss account	16	**5,183,126**	4,481,395
Shareholders' funds	17	**47,311,337**	46,609,606

These financial statements were approved by the directors on 4 January '07 and are signed on their behalf by:

Mr C B Scrutton
Director

The accompanying accounting policies and notes form part of these financial statements.

Other primary statements

Statement of total recognised gains and losses

	2006	2005
	£	£
Profit for the financial year	**1,001,731**	982,380
Unrealised profit on revaluation of certain fixed assets	–	7,327,690
Total gains and losses recognised for the year	**1,001,731**	8,310,070

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company, wholly in the United Kingdom.

2 Operating profit

Operating profit is stated after charging/(crediting):

	2006	2005
	£	£
Depreciation of owned fixed assets	**15,571**	15,980
Profit on disposal of fixed assets	**-**	(15)
Auditor's remuneration:		
Audit fees	**9,000**	9,250

3 Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2006	2005
	No	No
Number of administrative staff	**10**	9

The aggregate payroll costs of the above were:

	2006	2005
	£	£
Wages and salaries	**235,974**	199,263
Social security costs	**33,353**	31,886
Other pension costs	**23,714**	23,189
	293,041	254,338

In addition to the above are the following costs which have been capitalised:

	2006	2005
	£	£
Wages and salaries	**83,593**	101,346

4 Directors

Remuneration in respect of directors was as follows:

	2006	2005
	£	£
Emoluments receivable	**95,000**	98,564
Value of company pension contributions to money purchase schemes	**13,564**	13,564
	108,564	112,128

The number of directors who accrued benefits under company pension schemes was as follows:

	2006	2005
	No	No
Money purchase schemes	**1**	1

5 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006	2005
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	**285,146**	275,140
Over/under provision in prior year	**(146)**	(4,500)
Total current tax	**285,000**	270,640
Deferred tax:		
Origination and reversal of timing differences (note 10)		
Capital allowances	**(2,000)**	-
Other	**(100)**	-
Total deferred tax (note 10)	**(2,100)**	-
Tax on profit on ordinary activities	**282,900**	270,640

5 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%).

	2006	2005
	£	£
Profit on ordinary activities before taxation	**1,284,631**	1,253,020
Profit on ordinary activities multiplied by rate of tax	**385,389**	375,906
Expenses not deductible for tax purposes	**2,924**	16
Capitalised expenditure treated as expenses for tax purposes	**(91,364)**	(86,190)
Difference between capital allowances for the period and depreciation	**1,940**	96
Marginal relief	**(13,843)**	(14,683)
Other timing differences	**100**	(5)
Adjustments to tax charge in respect of prior periods	**(146)**	(4,500)
Total current tax (note 5(a))	**285,000**	270,640

6 Dividends

Dividends on shares classed as equity

	2006	2005
Equity dividends on 'A' ordinary shares	£	£
Paid during the year	**296,349**	300,022
Proposed at the year end and recognised as a liability	**3,651**	-
	300,000	300,022

7 Tangible fixed assets

	Freehold Investment Property £	Fixtures & plant £	Motor Vehicles £	Total £
Cost or valuation				
At 1 May 2005	46,610,000	24,265	66,924	46,701,189
Additions	635,344	735	–	636,079
At 30 April 2006	47,245,344	25,000	66,924	47,337,268
Depreciation				
At 1 May 2005	–	20,630	30,181	50,811
Charge for the year	–	1,493	14,078	15,571
At 30 April 2006	–	22,123	44,259	66,382
Net book value				
At 30 April 2006	**47,245,344**	**2,877**	**22,665**	**47,270,886**
At 30 April 2005	46,610,000	3,635	36,743	46,650,378

If the properties had not been revalued, they would have been included on the historical cost basis at the following amounts:

	2006 £	2005 £
At cost	**5,622,133**	4,988,758

Freehold investment property was revalued on 30 April 2005 by McDowalls Independent Chartered Surveyors (RICS member). The basis of the interim valuation used was existing market knowledge of values, taking into account existing tenancies. The surplus was transferred to the revaluation reserve. The directors believe this to be an appropriate estimate of the market value at 30 April 2006.

The last full valuation was carried out as at 30 April 2002 by McDowalls Independent Chartered Surveyors.

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation because, in the opinion of the directors, the properties are unlikely to be disposed of in the foreseeable future.

8 Stocks

	2006	2005
	£	£
Raw materials and consumables	**3,371**	9,553

9 Debtors

	2006	2005
	£	£
Trade debtors	**91,379**	69,865
Other debtors	**12,301**	1,131
Prepayments and accrued income	**11,259**	15,976
Deferred taxation (note 10)	**3,700**	1,600
	118,639	88,572

10 Deferred taxation

The deferred tax included in the balance sheet is as follows:

	2006	2005
	£	£
Included in debtors (note 9)	**3,700**	1,600

The movement in the deferred taxation account during the year was:

	2006	2005
	£	£
Balance brought forward	**1,600**	1,600
Profit and loss account movement arising during the year	**2,100**	-
Balance carried forward	**3,700**	1,600

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2006	2005
	£	£
Excess of taxation allowances over depreciation on fixed assets	**3,300**	1,300
Other timing differences	**400**	300
	3,700	1,600

11 Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	**5,807**	9,260
Corporation tax	**285,146**	275,286
PAYE and social security	**10,884**	9,823
Dividends payable	**3,651**	–
Other creditors	**2,407**	1,867
Pension contributions	**1,313**	979
Accruals and deferred income	**64,730**	51,758
	373,938	348,973

12 Pensions

The company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

13 Contingent liabilities

The directors have confirmed that there were no contingent liabilities which should be disclosed at 30 April 2006 nor 30 April 2005.

14 Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

15 Share capital

Authorised share capital:

	2006	2005
	£	£
40,000 'A' ordinary shares of £1 each	**40,000**	40,000
40,000 'B' ordinary shares of £1 each	**40,000**	40,000
40,000 'C' ordinary shares of £1 each	**40,000**	40,000
	120,000	120,000

Equity: allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
'A' ordinary shares of £1 each	**40,000**	**40,000**	40,000	40,000
'B' ordinary shares of £1 each	**40,000**	**40,000**	40,000	40,000
'C' ordinary shares of £1 each	**40,000**	**40,000**	40,000	40,000
	120,000	**120,000**	120,000	120,000

15 Share capital (continued)

Ordinary 'A' Shares

The ordinary 'A' shares carry an entitlement to a dividend, the amount being at the discretion of the company. On winding up the holders of the ordinary 'A' shares are entitled to a return of capital of up to the aggregate (in respect of each share) of the nominal value of each share held by them and the sum of £183. The ordinary 'A' shares carry 100% of the voting rights.

Ordinary 'B' Shares

The ordinary 'B' shares carry no entitlement to dividends. On winding up the holders of the ordinary 'B' shares are entitled to a return of capital, following payment of all amounts due to ordinary 'A' shareholders, of up to the aggregate (in respect of each share) of the nominal value of each share held by them and the sum of £815. The ordinary 'B' shares carry no voting rights.

Ordinary 'C' shares

The ordinary 'C' shares carry no entitlement to dividends. On winding up the holders of ordinary 'C' shares are entitled to 100% of any remaining surplus after amounts due to ordinary 'A' and ordinary 'B' shareholders. The ordinary 'C' shares carry no voting rights.

16 Reserves

	Revaluation reserve	**Other reserves**	**Profit and loss account**
	£	**£**	**£**
At 1 May 2005	**41,440,964**	**567,247**	**4,481,395**
Profit for the year	–	–	**1,001,731**
Equity dividends	–	–	**(300,000)**
At 30 April 2006	**41,440,964**	**567,247**	**5,183,126**

The balances on the revaluation reserve and other reserves may not be distributed legally under sections 263 of the Companies Act 1985.

17 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Profit for the financial year	**1,001,731**	982,380
Other net recognised gains and losses	–	7,327,690
Equity dividends paid	**(300,000)**	(300,022)
Net addition to shareholders' funds	**701,731**	8,010,048
Opening shareholders' funds	**46,609,606**	38,599,558
Closing shareholders' funds	**47,311,337**	46,609,606

18 Capital commitments

The directors have confirmed that there were no capital commitments at 30 April 2006 or 30 April 2005.