

Company Registration No. 2879299 (England and Wales)

QUONDAM ESTATES INVESTMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

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QUONDAM ESTATES INVESTMENTS LIMITED

COMPANY INFORMATION

Directors

N G Ellis
A R Wyatt
N S K Shattock
R J Worthington

Secretary

S Dixon

Company number

2879299

Registered office

16 Grosvenor Street
London
W1K 4QF

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

QUONDAM ESTATES INVESTMENTS LIMITED

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QUONDAM ESTATES INVESTMENTS LIMITED

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

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

Principal activities and review of the business

The principal activity of the Company is property investment.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend (2005: £nil).

Directors

The following directors have held office since 1 April 2005:

N G Ellis

A R Wyatt

N S K Shattock

R J Worthington

J R Hamilton Stubber

(Resigned 17 February 2006)

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 1985. The directors listed above at 31 March 2006, are also directors of the ultimate parent company and, as such, their interests in the share and loan capital of that company are shown in its directors' report.

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, KPMG Audit Plc, will be deemed to be reappointed for each succeeding financial year.

QUONDAM ESTATES INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2006**

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

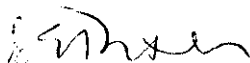
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Statement of disclosure to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



S Dixon

Secretary

19 January 2007

QUONDAM ESTATES INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF QUONDAM ESTATES INVESTMENTS LIMITED

We have audited the financial statements of Quondam Estates Investments Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profit 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 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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

In addition we 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.

QUONDAM ESTATES INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF QUONDAM ESTATES INVESTMENTS LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 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.



KPMG Audit Plc

19 January 2007

Chartered Accountants

Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

QUONDAM ESTATES INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Turnover	2	3,472	4,083
Cost of sales		(1,293)	(5,040)
Gross profit/(loss)		2,179	(957)
Administrative expenses		(2,000)	34,422
Operating profit	3	179	33,465
Other interest receivable and similar income	4	93,000	86,800
Profit on ordinary activities before taxation		93,179	120,265
Tax on profit on ordinary activities	5	-	-
Profit for the year	11	93,179	120,265

The profit and loss account has been prepared on the basis that all operations are continuing operations.

QUONDAM ESTATES INVESTMENTS LIMITED

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

	Notes	2006 £	2005 £
Profit for the financial year	11	93,179	120,265
Unrealised surplus on revaluation of properties	11	15,000	5,000
Total recognised gains and losses relating to the year		<u>108,179</u>	<u>125,265</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

	2006 £	2005 £
Reported profit on ordinary activities before taxation	93,179	120,265
Realisation of property revaluation gains of previous years	-	23,711
Historical cost profit on ordinary activities before taxation	<u>93,179</u>	<u>143,976</u>
Historical cost profit for the year retained after taxation and dividends	<u>93,179</u>	<u>143,976</u>

QUONDAM ESTATES INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	6	115,000		100,000	
Current assets					
Stocks		-		2,500	
Debtors	7	1,512,308		1,416,934	
Creditors: amounts falling due within one year	8	(904)		(1,209)	
Net current assets		1,511,404		1,418,225	
Total assets less current liabilities		1,626,404		1,518,225	
Capital and reserves					
Called up share capital	10	100		100	
Revaluation reserve	11	40,000		25,000	
Profit and loss account	11	1,586,304		1,493,125	
Shareholders' funds	12	1,626,404		1,518,225	

Approved by the Board and authorised for issue on 19 January 2007


R J Worthington
Director

QUONDAM ESTATES INVESTMENTS LIMITED

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

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties and in accordance with all applicable accounting standards and the requirements of the Companies Act 1985, except as explained below.

Under the provision of FRS1 (Revised), Cash Flow Statements, the Company has not prepared a cashflow statement because its ultimate parent company, Quintain Estates and Development PLC, which is incorporated in Great Britain, has prepared consolidated financial statements which include the financial statements of the Company for the year and which contain a cashflow statement.

1.2 Changes in accounting policies

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'
- The presentation requirements of FRS 25 'Financial instruments: Disclosure and presentation'; and
- FRS 28 'Corresponding amounts'

As a result of the adoption of FRS 21 dividends paid during the year, where applicable, are no longer shown on the face of the profit and loss account but within the reconciliation of movements in shareholders' funds within the notes to the accounts. The adoption of these new standards has had no other material effect in either the current or prior year.

1.3 Turnover

Turnover is stated net of VAT and comprises rental income, sales of trading stocks, commissions and fees receivable. Rent increases arising from rent reviews due during the year are taken into account only to the extent that such reviews are agreed with tenants at the accounting date.

1.4 Tangible fixed assets and depreciation

In accordance with SSAP 19, Accounting for Investment Properties, no depreciation is provided in respect of the Company's freehold investment properties and leasehold investment properties with over 20 years to run. This represents a departure from the provisions of the Companies Act 1985 which requires all properties to be depreciated. Such properties are held not for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified.

1.5 Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, except that as permitted by FRS 19, Deferred Tax, no provision is made for the tax on unrealised property revaluation surpluses. Deferred tax assets are recognised to the extent that they are considered recoverable.

QUONDAM ESTATES INVESTMENTS LIMITED

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

1 Accounting policies

(continued)

1.6 Valuation of properties

Investment properties are independently valued annually by external professional valuers on a market basis. Investment properties under development are stated at estimated market value on completion, supported by independent valuation, less estimated costs to complete. Any surplus or deficit on revaluation is transferred to the revaluation reserve except that deficits below original cost which are expected to be permanent are charged to the profit and loss account. Finance charges incurred on investment properties under development are capitalised within the historical cost until practical completion.

1.7 Disposal of properties

Sales of properties are recognised in the accounts if an unconditional contract is exchanged by the balance sheet date and the sale is completed before the accounts are approved by the Board. Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as exceptional items while those arising from the sale of trading properties are included in the profit and loss account as part of the operating profit of the Company.

1.8 Group Accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Quintain Estates and Development PLC, a company incorporated in Great Britain, and is included in the consolidated accounts of that company.

2 Turnover

	2006 £	2005 £
Rents receivable	3,472	4,083

3 Operating profit

Auditors' remuneration has been wholly borne by the ultimate parent company, Quintain Estates and Developments PLC in the current and prior year. This cost forms part of a management fee from the ultimate parent.

All of the directors who served during the year are also directors of the ultimate parent company. Their remuneration for services as directors to the group is wholly borne by and disclosed in the accounts of that company in the current and prior year.

4 Interest receivable

	2006 £	2005 £
On amounts owed by group companies	93,000	86,800

QUONDAM ESTATES INVESTMENTS LIMITED

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

5	Taxation	2006 £	2005 £
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	93,179	120,265
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005:30.00%)	27,954	36,080
	Effects of:		
	Non taxable income	-	(10,366)
	Tax losses utilised	(27,954)	(25,714)
		(27,954)	(36,080)
	Current tax charge	-	-

Group relief has been (claimed)/surrendered for nil consideration.

6	Tangible fixed assets	Investment properties £
	Cost or valuation	
	At 1 April 2005	100,000
	Revaluation	15,000
	At 31 March 2006	115,000

Investment properties were valued independently by Jones Lang LaSalle, Chartered Surveyors, as external valuers, on the basis of market value and in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Where necessary, these valuations have been adjusted for the impact of incentives offered to tenants to enter into or renew leases as prescribed by UITF 28, Operating Lease Incentives.

The historical cost of the Company's investment properties was £75,000 (2005:£75,000).

QUONDAM ESTATES INVESTMENTS LIMITED

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

7 Debtors	2006 £	2005 £
Trade debtors	3,076	4,699
Amounts owed by parent and fellow subsidiary undertakings	1,508,623	1,411,900
Other debtors	425	-
Prepayments and accrued income	184	335
	<u>1,512,308</u>	<u>1,416,934</u>

8 Creditors: amounts falling due within one year	2006 £	2005 £
Trade creditors	235	425
Taxes and social security costs	-	115
Accruals and deferred income	669	669
	<u>904</u>	<u>1,209</u>

9 Provisions for liabilities and charges

Deferred taxation not provided in the financial statements is as follows:

	2006 £	2005 £
Surplus on revaluation of land and buildings	<u>13,331</u>	<u>9,324</u>

10 Share capital	2006 £	2005 £
Authorised		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

QUONDAM ESTATES INVESTMENTS LIMITED

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

11 Reserves

	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 April 2005	25,000	1,493,125
Profit for the year	-	93,179
Revaluation during the year	15,000	-
Balance at 31 March 2006	40,000	1,586,304

12 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Profit for the financial year	93,179	120,265
Other recognised gains and losses	15,000	5,000
Net addition to shareholders' funds	108,179	125,265
Opening shareholders' funds	1,518,225	1,392,960
Closing shareholders' funds	1,626,404	1,518,225

13 Employees

Number of employees

There were no employees during the year apart from the directors (2005:none).

14 Control

The Company's immediate parent in Quondam Properties Limited and its ultimate parent company is Quintain Estates and Development PLC. The only group in which results of the Company are consolidated is that headed by Quintain Estates and Development PLC. Group financial statements are available on request from 16 Grosvenor Street, London W1K 4QF.

15 Related party transactions

The Company has taken advantage of the exemption in FRS 8, Related Party Disclosures, from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company, Quintain Estates and Development PLC.