

ADDISON DEVELOPMENTS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2008



Saffery Champness
CHARTERED ACCOUNTANTS

ADDISON DEVELOPMENTS LIMITED

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FOR THE YEAR ENDED 31 MARCH 2008**

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COMPANY INFORMATION FOR THE YEAR ENDED 31 MARCH 2008

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ADDISON DEVELOPMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008

Principal activities

The principal activities of the company continued to be that of property development, but during the year the company took steps to diversify into some investment activity

Directors

The following directors have held office since 1 April 2007

The Hon Mrs Townshend DL

J R Townshend

G A Dobson (resigned 1 July 2007)

R I Sanderson

Auditors

The auditors, Saffery Champness, are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985

Directors' responsibilities

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 period. 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 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

Statement of disclosure to 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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

On behalf of the Board



The Hon Mrs Townshend DL
Director

22 September 2008

ADDISON DEVELOPMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 31 MARCH 2008

We have audited the financial statements of Addison Developments Limited on pages 5 to 13 for the year ended 31 March 2008. These financial statements are prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 2, 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 the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

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. 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 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 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 mis-statement, 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.

ADDISON DEVELOPMENTS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2008 (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 affairs of the company's affairs as at 31 March 2008 and of its profit for the year then ended, and

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the directors' report is consistent with the financial statements



Saffery Champness

22 September 2008

Chartered Accountants
Registered Auditors

1 St Stephens Court
St Stephens Road
Bournemouth
BH2 6LA

ADDISON DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £	2007 £
Turnover	1	46,789,718	-
Cost of sales		(42,349,054)	-
Gross profit		4,440,664	-
Administrative expenses		(49,417)	(22,826)
Operating profit/(loss)		4,391,247	(22,826)
Diminution in value of quoted investments	5	(200,091)	-
Interest receivable and similar income	2	293,579	31,558
Interest payable		(50,165)	-
Profit on ordinary activities before taxation	3	4,434,570	8,732
Taxation	4	(1,327,844)	(1,659)
Retained profit for the year	11	3,106,726	7,073

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

The accounting policies and notes on pages 7 to 13 form part of these financial statements

STATEMENT OF RECOGNISED GAINS AND LOSSES

	Notes	2008 £	2007 £
Profit for the financial year		4,434,570	8,732
Unrealised surplus on revaluation of investments	5/11	18,813	-
Total recognised gains relating to the year		4,453,383	8,732

ADDISON DEVELOPMENTS LIMITED

BALANCE SHEET AS AT 31 MARCH 2008

	Notes	£	2008 £	£	2007 £
Quoted investments	5		4,364,147		-
Fixed asset investments	6		5,250,038		25,437
Current assets					
Stock and work in progress	7	422,809		10,674,672	
Debtors	8	423,722		29,120	
Cash at bank and in hand		757,352		4,514	
Broker balance		2,586,212		-	
			<u>4,176,095</u>	<u>10,708,306</u>	
Creditors: amounts falling due within one year	9	<u>(732,030)</u>		<u>(792,282)</u>	
Net current assets			<u>3,458,065</u>		<u>9,916,024</u>
Net assets			<u>13,072,250</u>		<u>9,946,711</u>
Capital and reserves					
Called up share capital	10		7,000,000		7,000,000
Revaluation reserve	11		18,813		-
Profit and loss account	11		6,053,437		2,946,711
Shareholders' funds	12		<u>13,072,250</u>		<u>9,946,711</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The notes and accounting policies on pages 7 to 13 form part of these financial statements

The financial statements were approved by the Board on 22 September 2008 and signed on its behalf by


The Hon Mrs Townshend DL
Director

ADDISON DEVELOPMENTS LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2008

A Accounting policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments

B Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers. Turnover on long term contracts is recognised in accordance with the value of work carried out to date

C Group accounts

The company has taken advantage of the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group accounts

D Quoted investments

Quoted investments are stated at market value

E Fixed asset investments

Shares in which the company has a participating interest held as fixed assets are stated at cost less provision for any permanent diminution in value. Fixed asset joint ventures are stated at cost less provision for any permanent diminution in value

F Stocks and development work in progress

Work in progress is valued at the lower of cost and net realisable value

ADDISON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1 Turnover

Turnover arises in respect of the development activity as described on page 2. The company operates within the UK and the whole of its turnover is to the UK market.

2 Interest receivable and similar income

	2008 £	2007 £
Interest receivable	277,718	16,533
Rent receivable	3,274	9,000
Other income	12,587	6,025
	<u>293,579</u>	<u>31,558</u>

3 Profit on ordinary activities before taxation

	2008 £	2007 £
The profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration	<u>2,000</u>	<u>2,000</u>

The directors received no remuneration from the company during the year (2007 nil)

The company employs no staff, but a management charge is incurred for the services of certain directors and staff employed by Ilchester Estates, a related company, of £26,942 (2007 £20,378)

4 Taxation

	2008 £	2007 £
Domestic current year tax		
UK Corporation tax	1,327,844	1,659
Adjustment for prior years	-	-
Tax charge for the year	<u>1,327,844</u>	<u>1,659</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>4,434,570</u>	<u>8,732</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2007 19%)	<u>1,330,371</u>	<u>1,659</u>
Effects of		
Brought forward losses utilised	<u>(2,527)</u>	<u>-</u>
	<u>(2,527)</u>	<u>-</u>
Current tax charge	<u>1,327,844</u>	<u>1,659</u>

ADDISON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2008

5 Quoted investments

	Alternative investments £	Aquarius Fund £	Total £
Cost			
At 1 April 2007	-	-	-
Additions	518,036	4,016,061	4,534,097
At 31 March 2008	518,036	4,016,061	4,534,097
Accumulated income			
1 April 2007	-	-	-
Received in the year	-	11,328	11,328
At 31 March 2008	-	11,328	11,328
Revaluation			
1 April 2007	-	-	-
Revaluation to market value	18,813	-	18,813
At 31 March 2008	18,813	-	18,813
Provision for diminution in value			
At 1 April 2007	-	-	-
Provision in the year	(41,370)	(158,721)	(200,091)
At 31 March 2008	(41,370)	(158,721)	(200,091)
Net book value			
At 31 March 2008	495,479	3,868,668	4,364,147
At 31 March 2007	-	-	-

Undertaking	Shares held	Proportion held	Net assets at 31.5.07 £	Total returns for the year ended 31.5.07 £
Aquarius Fund	Accumulation shares	%	29,383,620	3,013,737

The principal activity of Aquarius Fund is that of an Open Ended Investment Company incorporated under the OEIC Regulations and authorised by the FSA

At 31 March 2008 the investment comprised 360,000 units with an aggregate market value of £3,868,668

No capital gains tax liability would arise if the investments were disposed of at the above valuation

ADDISON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2008

6 Fixed asset investments

	Loan to subsidiary £	Unlisted Investments £	Total £
Cost			
At 31 March 2007	-	25,437	25,437
Addition	5,250,000	-	5,250,000
Reduction in share capital	-	(25,399)	(25,399)
At 31 March 2008	5,250,000	38	5,250,038
Provisions for diminution in value			
At 1 April 2007 and at 31 March 2008	-	-	-
Net book value			
At 31 March 2008	5,250,000	38	5,250,038
At 31 March 2007	-	25,437	25,437

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
Addison Developments One Limited	England & Wales	Ordinary	100
Addison Developments Two Limited	England & Wales	Ordinary	100
Moorcrest Solutions Limited	British Virgin Islands	Ordinary	100
224 KHS Developments Ltd (formerly Roofletter Limited)	England & Wales	Ordinary "A"	-
		Ordinary "B"	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Principal activity	Capital and reserves £	Profit for the year £
Addison Developments One Limited	Dormant	1	-
Addison Developments Two Limited	Dormant	1	-
Moorcrest Solutions Limited	Holding Company	1	2,000
224 KHS Developments Ltd (formerly Roofletter Limited)	Property Development	100	-

Joint ventures

224 Kensington High Street LLP

The partnership was incorporated on 7 March 2007 and entered into on 19 March 2007. The partnership commenced property development in March 2008.

ADDISON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2008

A 25% share is held in 224 Kensington High Street LLP via Moorcrest Solutions Limited. The partnership is registered in England for the purpose of the development of the site at the location described on the partnerships title. Moorcrest Solutions Limited has a beneficial right to 35% of the partnership profits.

The company's relevant share in the results of this joint venture during the period was as follows:

	Period from 7 March 2007 to 31 March 2008 £
Turnover	11,000
Profit before taxation	3,000
Taxation	(1,000)
Fixed assets	21,552,000
Current assets	433,000
Creditors due within one year	(862,000)
Creditors due in more than one year	(13,554,000)

7 Stock and work in progress

	2008 £	2007 £
Stock and development work in progress	422,809	10,674,672

8 Debtors

	2008 £	2007 £
Other debtors and prepayments	423,722	34,370

9 Creditors

	2008 £	2007 £
Amounts falling due within one year		
Trade creditors	84	21,436
Taxation	706,037	1,659
Other creditors	20,391	539,031
Accruals	5,518	230,156
	732,030	792,282

The banking arrangements are secured by a debenture granted by Addison Developments Limited.

10 Share capital

	2008 £	2007 £
Authorised 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
Allotted, called up and fully paid 7,000,000 ordinary shares of £1 each	7,000,000	7,000,000

ADDISON DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008**

11 Reserves	Revaluation reserve £	Profit and loss account £	Total £
At 1 April 2007	-	2,946,711	2,946,711
Retained profit for the year	-	3,106,726	3,106,726
Revaluations in the year	18,813	-	18,813
At 31 March 2008	<u>18,813</u>	<u>6,053,437</u>	<u>6,072,250</u>

12 Reconciliation of movements on shareholders' funds	2008 £	2007 £
Retained profit for the year	3,106,726	7,073
Revaluations in the year	18,813	-
Opening shareholders' funds	<u>9,946,711</u>	<u>9,939,638</u>
Closing shareholders' funds	<u>13,072,250</u>	<u>9,946,711</u>

13 Capital commitments

The company had no capital commitments at the year end (2007 nil)

14 Related party transactions

The company is ultimately controlled by the Trustees of Ilchester Estates (2) Disentailed Estate by virtue of their 100% share ownership

The company had the following related party with whom transactions were undertaken during the year

Ilchester Estates	- a company whose shares are owned by the same Trustees as the company's ultimate controlling party
The Trustees of Mrs Townshend's Settlement (5)	- a trust with the same Trustees as the company's ultimate controlling party
Moorcrest Solutions Limited	- a company 100% owned by Addison Developments Limited
224 Kensington High Street LLP	- a company in which a 25% share is held by Moorcrest Solutions Limited

ADDISON DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008****14 Related party transactions (continued)**

During the year the following transactions took place

	2008	2007
	£	£
Project fees charged by Ilchester Estates	72,040	12,420
Management charges made from Ilchester Estates	26,942	7,958

Addison Developments Limited purchased property from The Trustees of Mrs Townshend's Settlement (5) for £2,175,000

The company provided funding to Moorcrest Solutions Limited, amounting to £5,250,000 and to 224 Kensington High Street Limited amounting to £420,000

The company made sales of £43,200,000 to 224 Kensington High Street LLP

All transactions with related parties were conducted on normal commercial terms

	2008	2007
	£	£
Related party balances at 31 March 2008 were as follows		
Investment in subsidiary by way of Loan	5,250,000	-
Debtor balances	420,000	3,438
Creditor balances	17,699	512,000

ADDISON DEVELOPMENTS LIMITED**TRADING PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

	2008		2007	
	£	£	£	£
Turnover		46,789,718		-
Less: Cost of sales		(42,349,054)		-
Gross property development profit		4,440,664		-
Add: Other income				
Interest received and similar income		290,305		22,558
Rental income		3,274		9,000
		4,734,243		31,558
Less: Diminution in value of quoted investments		(200,091)		-
		4,534,152		31,558
Less: Interest payable		(50,165)		-
Less: Operating expenses				
Property costs and maintenance	1,580		350	
Administrative expenses	26,942		7,958	
Legal and professional fees	20,843		14,466	
Bank charges	52		52	
		(49,417)		(22,826)
Net profit for the year		4,434,570		8,732

This page does not form part of the financial statements on which the auditors have reported