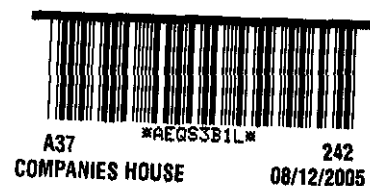


Company Registration No. 1321490 (England and Wales)

LONDON & SURREY PROPERTY HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

**REGISTRAR'S COPY
OF ACCOUNTS**



Cavendish
Chartered Certified Accountants
Registered Auditors
61 Chandos Place
London WC2N 4HG
4272

1911-12-13
1911-12-13

LONDON & SURREY PROPERTY HOLDINGS LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Mr C.L. Smith Mrs A.M. Smith |
| Secretary | S.A. Khan |
| Company number | 1321490 |
| Registered office | Parkway House Sheen Lane East Sheen London SW14 8LS |
| Auditors | Cavendish Chartered Certified Accountants Registered Auditors 61 Chandos Place London WC2N 4HG |
| Business address | Parkway House Sheen Lane East Sheen London SW14 8LS |
| Bankers | Bank of Scotland St. James's Gate 14-16 Cockspur Street London SW1Y 5BL Nationwide Building Society 6 Tanners Road London Road Bagshot Surrey GU19 5HD |

LONDON & SURREY PROPERTY HOLDINGS LIMITED

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LONDON & SURREY PROPERTY HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The directors present their report and financial statements for the year ended 31 March 2005.

Principal activities

The principal activity of the company in the year under review was property development and investment.

Directors

The following directors have held office since 1 April 2004:

Mr C.L. Smith
Mrs A.M. Smith

Directors' interests

The directors' interests in the shares of the company were as stated below:

| | Ordinary shares of £ 1 each | |
|----------------|-----------------------------|--------------|
| | 31 March 2005 | 1 April 2004 |
| Mrs A.M. Smith | 377 | 377 |
| Mr C.L. Smith | 2 | 2 |

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Cavendish be reappointed as auditors of the company will be put to the Annual General Meeting.

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 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.

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



Mr C.L. Smith

Director

30 November 2005

LONDON & SURREY PROPERTY HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LONDON & SURREY PROPERTY HOLDINGS LIMITED

We have audited the financial statements of London & Surrey Property Holdings Limited on pages 3 to 9 for the year ended 31 March 2005. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom 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 or 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.

Qualified opinion arising from disagreement about accounting treatment

Freehold land and buildings owned by the company for investment purposes are included in the financial statements at historical cost. This is not in accordance with Statement of Standard Accounting Practice No 19 Accounting for Investment Properties which requires investment properties to be included at open market value at the balance sheet date. We are unable to quantify the financial effects on this departure, which potentially results in misstatement of the value of investment properties and revaluation reserves in the balance sheet, and the profit on disposal of fixed assets in the profit and loss account.

Except for the failure to revalue the investment properties, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cavendish

1 December 2005

Chartered Certified Accountants
Registered Auditors

61 Chandos Place
London WC2N 4HG

LONDON & SURREY PROPERTY HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

| | Notes | 2005 £ | 2004 £ |
|--|-----------|------------------|------------------|
| Turnover | | 1,949,103 | 1,885,155 |
| Distribution costs | | (516,618) | (530,980) |
| Administrative expenses | | (207,327) | (246,200) |
| Other operating income | | 205,500 | 127,850 |
| Operating profit | 2 | 1,430,658 | 1,235,825 |
| Investment income | 3 | 20 | 20 |
| Other interest receivable and similar income | 3 | 6,323 | 3,623 |
| Interest payable and similar charges | | (223,732) | (230,941) |
| Profit on ordinary activities before taxation | | 1,213,269 | 1,008,527 |
| Tax on profit on ordinary activities | 5 | (315,040) | (279,743) |
| Profit on ordinary activities after taxation | 12 | 898,229 | 728,784 |

LONDON & SURREY PROPERTY HOLDINGS LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

| | Notes | 2005 | | 2004 | |
|--|---------|------------------|--------------------|--------------------|--------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 6 and 7 | | 11,390,384 | | 11,224,710 |
| Current assets | | | | | |
| Debtors | 8 | 467,054 | | 238,756 | |
| Cash at bank and in hand | | 100 | | 100 | |
| | | <u>467,154</u> | | <u>238,856</u> | |
| Creditors: amounts falling due within one year | 9 | <u>(924,314)</u> | | <u>(1,081,133)</u> | |
| Net current liabilities | | | <u>(457,160)</u> | | <u>(842,277)</u> |
| Total assets less current liabilities | | | 10,933,224 | | 10,382,433 |
| Creditors: amounts falling due after more than one year | 10 | | <u>(2,867,102)</u> | | <u>(3,214,540)</u> |
| | | | <u>8,066,122</u> | | <u>7,167,893</u> |
| Capital and reserves | | | | | |
| Called up share capital | 11 | | 379 | | 379 |
| Share premium account | 12 | | 1,637,414 | | 1,637,414 |
| Profit and loss account | 12 | | 6,428,329 | | 5,530,100 |
| Shareholders' funds | | | <u>8,066,122</u> | | <u>7,167,893</u> |

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 30 November 2005



Mr C L Smith
Director

LONDON & SURREY PROPERTY HOLDINGS LIMITED

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

| 4 Directors Remuneration | 2005 | 2004 |
|--|---------------|----------------|
| | £ | £ |
| Directors' Emoluments | 58,872 | 61,896 |
| Company contributions to money purchase pension scheme | 3,500 | 47,943 |
| | <u>62,372</u> | <u>109,839</u> |

At 31 March 2005 and at 31 March 2004, both of the company's directors were accruing benefits under the defined contribution pension scheme.

| 5 Taxation | 2005 | 2004 |
|----------------------------------|----------------|----------------|
| | £ | £ |
| Domestic current year tax | | |
| U.K. corporation tax | 286,416 | 280,337 |
| Adjustment for prior years | 28,624 | (594) |
| | <u>315,040</u> | <u>279,743</u> |

| 6 Tangible fixed assets | Plant and machinery etc |
|------------------------------------|----------------------------|
| | £ |
| Cost | |
| At 1 April 2004 & at 31 March 2005 | <u>528,491</u> |
| Depreciation | |
| At 1 April 2004 | 503,491 |
| Charge for the year | 25,000 |
| | <u>528,491</u> |
| Net book value | |
| At 31 March 2005 | <u>-</u> |
| At 31 March 2004 | <u>25,000</u> |

LONDON & SURREY PROPERTY HOLDINGS LIMITED

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

7 Tangible fixed assets

| | Investment properties £ |
|------------------|-------------------------------|
| Cost | |
| At 1 April 2004 | 11,199,710 |
| Additions | 350,674 |
| Disposals | (160,000) |
| | <hr/> |
| At 31 March 2005 | 11,390,384 |
| | <hr/> <hr/> |

| 8 Debtors | 2005 £ | 2004 £ |
|---------------|-------------|-------------|
| Other debtors | 467,054 | 238,756 |
| | <hr/> <hr/> | <hr/> <hr/> |

| 9 Creditors: amounts falling due within one year | 2005 £ | 2004 £ |
|--|-------------|-------------|
| Bank loans and overdrafts(secured) | 386,112 | 614,247 |
| Taxation and social security | 289,826 | 282,549 |
| Directors current account | 86,616 | 97,101 |
| Other creditors | 161,760 | 87,236 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 924,314 | 1,081,133 |

Bank loans and overdraft are secured by fixed and floating charges over the company's assets, a personal guarantee limited to £250,000 provided by the directors, and fixed charges over certain properties owned personally by the directors.

The secured creditors are amounts payable to the Bank of Scotland plc and Nationwide Building Society.

LONDON & SURREY PROPERTY HOLDINGS LIMITED

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

| 10 Creditors: amounts falling due after more than one year | 2005 £ | 2004 £ |
|--|-----------|-----------|
| Bank loans | 2,867,102 | 3,214,540 |
| Analysis of loans | | |
| Not wholly repayable within five years by instalments | 1,471,102 | 1,814,540 |
| Wholly repayable within five years | 1,745,000 | 1,750,000 |
| | 3,216,102 | 3,564,540 |
| Included in current liabilities | (349,000) | (350,000) |
| | 2,867,102 | 3,214,540 |
| Instalments not due within five years | 1,471,102 | 1,814,540 |

Bank loans and overdraft are secured by fixed and floating charges over the company's assets, a personal guarantee limited to £250,000 provided by the directors, and fixed charges over certain properties owned personally by the directors.

The secured creditors are amounts payable to the Bank of Scotland plc and Nationwide Building Society.

| 11 Share capital | 2005 £ | 2004 £ |
|--|--|--|
| Authorised | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| 379 Ordinary shares of £1 each | 379 | 379 |
| 12 Statement of movements on reserves | | |
| | Share premium account £ | Profit and loss account £ |
| Balance at 1 April 2004 | 1,637,414 | 5,530,100 |
| Retained profit for the year | - | 898,229 |
| Balance at 31 March 2005 | 1,637,414 | 6,428,329 |

LONDON & SURREY PROPERTY HOLDINGS LIMITED

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

14 Related party transactions

The company paid rent of £30,000 (2004: £30,000) and management fee of £46,786 (2003: £45,247) at arm's length to Lawrence Smith & Co, a practice owned by C.L. Smith. Other creditors include £85,684 (2004: debtor of £11,316) due from Deemark Limited, in which the company's directors are also directors and Mrs A.M.Smith has a controlling interest, and £457,444 (2004:£219,729) owed by Lawrence Smith & Co.

As at 31 March 2005 amounts totalling £86,616 (2004: £97,101) were due to Mr C L Smith and included in creditors.