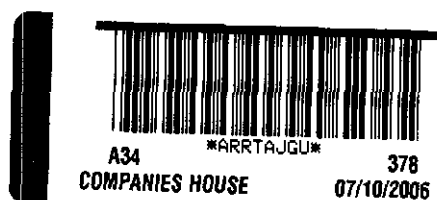


HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT AND UNAUDITED ACCOUNTS

FOR THE PERIOD 1st OCTOBER 2005 TO 30th SEPTEMBER 2006



Company No. 3392418

HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

COMPANY INFORMATION

Directors	Mr. M.J. Green Mr. J.M. O'Mulloy Lady N.J.A. Orr Ewing
Secretary	Mrs. G. Green
Company Number	3392418
Registered Office	3 Woodmancourt Godalming Surrey GU7 2BT
Auditors/Accounts	Appointment in abeyance
Solicitors	Messrs. Coole & Haddock 14 Carfax Horsham West Sussex RH12 1DZ

HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

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HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD 1st OCTOBER 2005 TO 30th SEPTEMBER 2006

The Directors present their report together with the unaudited accounts for the period ended 30th September 2006.

Principal Activities

The Company acquired the Freehold interest in 18 Harcourt Terrace London SW10 on the 4th March 1998 and, after granting all five of the new 999 year leases to the then five tenants of that Building, it continues the management thereof as residential premises.

The costs of maintaining the property are borne by the Leaseholders by way of service charges. All service charges are effectively held in trust by the Company for the benefit of the contributing tenants pursuant to the Landlord and Tenant Acts 1985 and 1987 the Housing Act 1996 and any amendments thereto. The service charge fund is administered on the Company's behalf by its Managing Agents County Estate Management. As the Company has no beneficial interest in the service charge fund it has been excluded from these accounts. Service charge accounts, prepared in accordance with the Landlord and Tenant Act 1985 (as amended) and prepared within the terms of their respective Leases, are provided to contributing tenants when to hand.

Results

The Results for the period are set out in the profit and loss account on page 4. The only income received during this year arose from the Ground Rents payable (with any accruing interest) and which are collected by County Estate Management at the same time as the Service Charge.

It appears that during the year, property values in the area have moved fairly strongly ahead. Shareholders may be interested to note, by way of example only, that the Basement Flat was sold recently for £800,000

Directors

The Directors who served during the period and their beneficial interests in the Company's issued share capital were :-

	Ordinary Shares of £1 each	
	30 th	30 th
	September	September
	2005	2006
Mr. M.J. Green	1	1
Mr. J.M. O'Mulloy	1	1
Lady N.J.A. Orr Ewing	1	1

Directors' Responsibilities

At the end of each financial year Company law requires the Directors to prepare accounts for each relevant period which give a true and fair view of the state of the Company's affairs and of the profit or loss for that year. In preparing these accounts 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 accounts on 'the going concern basis' unless it is inappropriate to presume that the Company will continue in business:

The Directors are responsible for ensuring that the Company keep proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. Such accounts are to give a true and fair view of the state of affairs of the Company at the end of its financial year and of its profit and loss for that period. The Directors 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.

Auditors

No qualified Accountants have been appointed as Auditors to the Company: should this become a requirement or choice, then matters would be arranged accordingly.

Small Company exemptions

The report of the Directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and was approved by the Board and signed on its behalf by:

Gloria Green

Mrs. G. Green – Secretary

Dated 3rd October 2006

REPORT TO THE DIRECTORS

ON THE UNAUDITED ACCOUNTS OF

HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

As described in the Balance Sheet you are responsible for the preparation of the Accounts for the period 1st October 2005 to 30th September 2006 as set out on pages 4 to 6 and you consider that the Company is exempt from an Audit and a Report under Section 249A(1) of the Companies Act 1985, as amended. In accordance with your instructions, we have compiled these unaudited Accounts in order to assist you to fulfil your Statutory obligations from the accounting records and information and explanations supplied to us. Members will nevertheless appreciate that we are Solicitors and not Accountants and could accordingly have a lower degree of expertise in the preparation of these Accounts.

Messrs. Coole & Haddock
14 Carfax
Horsham
West Sussex RH12 1DZ
Solicitors

HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

UNAUDITED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th SEPTEMBER 2006

	Notes	2006	2005
Turnover	3	-	-
Cost of Sales		-	-
		<hr/>	<hr/>
Gross profit/(loss)		-	-
Administrative Expenses/Operating Charges	1	-	-
		<hr/>	<hr/>
Operating profit/loss		-	-
Interest Receivable (there is accruing interest earned on monies in hand)	7(a)		
Ground Rents Receivable		575	575
Profit/(Loss) on ordinary activities before taxation		<hr/> 575	<hr/> 575
Taxation (the Inland Revenue has presently agreed not to tax Ground Rent receipts on a 'de minimus basis')		-	-
Retained Profit/(loss) brought forward		<hr/> 2,267	<hr/> 1,692
Retained Profit/(Loss) carried forward		2,842	2,267

HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

UNAUDITED BALANCE SHEET

AT 30th SEPTEMBER 2006

	Notes	2006	2005
<u>Fixed Assets</u>			
Tangible assets (Freehold Property in reversion at Valuation)	8(b)	5,750	5,750
<u>Current Assets</u>			
Trade and other receivables due within one year		-	-
Trade and other receivables (due after more than one year)		-	-
Cash in/hand(id est £2,842 + £5 Share Capital)	8(a)	2,847	2,272
<u>Liabilities</u>			
Trade and other payables due within one year		-	-
Trade and other payables (due after more than one year)		-	-
Non-current liabilities	6	-	-
<hr/>			
Total assets less Current Liabilities and Non-Current Liabilities		8,597	8,022
<u>Capital and Reserves</u>			
Share Capital	7(b)	5	5
Profit and loss account		2,842	2,267
Revaluation Reserve	8(b)	5,750	5,750
<hr/>			
Shareholders Funds	9	8,597	8,022

These Accounts 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 March 2000).

For the year ended 30th September 2006 the Company was entitled to exemption under Section 249A(1) of the Companies Act 1985.

No members have required the Company to obtain an audit of its accounts for the year in question in accordance with Section 249B(2). Note: the cost could be significant.

i) The Directors acknowledge their responsibility for:
Ensuring the Company keeps accounting records which comply with Section 221: and

ii) Preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial year, and of its profit and loss for the financial year in accordance with Section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

These Accounts were approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M.J. Green', with a stylized flourish at the end.

Mr. M.J. Green Director

Date: 3rd October 2006

HARCOURT PROPERTY MANAGEMENT & FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1st OCTOBER 2005 TO 30th SEPTEMBER 2006

1 Accounting Policies Basis of Accounting

The accounts have been prepared under the historical cost convention.

The Company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small Company.

The costs of maintaining the property are borne by the Leaseholders by way of service charges. All service charges are effectively held in trust for the benefit of contributing tenants pursuant to the Landlord and Tenant Acts 1985 and 1987 and the Housing Act 1996 (and all amendments thereto). As the Company has no beneficial interest in the service charge fund it has been excluded from these accounts. Company administration costs have been borne by the service charge fund. Accounts for the service charge fund are drawn up annually in accordance with the Landlord and Tenant Act 1985 (as amended) and provided to each Leaseholder.

Turnover

Turnover is stated at nil as no sales for the period under consideration were made.

2 Freehold Property

The Company owns the Freehold interest in 18 Harcourt Terrace London SW10 and has now granted five new 999 year Leases thereout. The Company's interest is registered at H.M. Land Registry with Title Absolute under Title Number BGL 24586

3 Turnover

The turnover (if any) was derived from the Company's principal activity which was carried out wholly in the UK.

4 Operating Profit

The operating profit is stated after charging or crediting: Accountants' remuneration	2005	2006
	-	-
	—	—

5	Trade and other receivables	2005	2006
	Receivables	-	-
		<hr/>	<hr/>
6	Trade and other payables falling due		
	within one year (and after more than one year)	2005	2006
	Trade and other payables	-	-
	Other liabilities	-	-
7(a)	Net interest on Ground Rents earned to 26 th June 2006 totals £91.90. The accumulated Ground Rents (including such interest of £91.90) to 17/7/06 total £2,861.31		
7(b)			
	Share Capital	2005	2006
	Authorised		
	5 Ordinary shares of £ 1.00 each	5	5
		<hr/>	<hr/>
		5	5
		<hr/>	<hr/>
	Allotted		
	Allotted, called up and fully paid Ordinary Shares of £1.00 each	5	5
8(a)	Reserves		
			Profit and Loss Accounts £
	Profit for the period ended 30th September 2005		2,267

At 1 st October 2005	2,267
Profit (Loss) for the period to 30 th September 2006	575
At 30 th September 2006 – Retained Profit	2,842

(b) Ground Rents in respect of all 5 Flats became payable from 25/3/2000 at a total of £575 p.a. These have been valued at 10 years purchase - namely
[The valuation was undertaken on 10/8/00]

£
5,750

9 Reconciliation of Shareholders' Funds	2005	2006
	£	£
Revaluation Reserve	-	-
Profit/(Loss) for the financial period	575	575
Issue of share capital (none)	-	-
Increase/(Decrease) in the shareholders funds	575	575
<u>Opening shareholders' funds</u>	7,447	8,022
<u>Closing shareholders' funds</u>	8,022	8,597