



Report and Consolidated  
Financial Statements  
for the year ended 31 March 2010

ot  
otwelve estates

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## Investment Objective

The objective of O Twelve Estates Limited (the "Company") and its subsidiaries (the "Group") is to generate an attractive return for Shareholders through the assembly of a portfolio of investment properties in its Target Area, which comprises the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent. The Board believes capital and rental values will react favourably to the major regeneration initiatives and infrastructure improvements taking place in these areas. The Olympic and Paralympic Games to be held in and around Stratford, east London, in 2012 are a major catalyst for these improvements which the Board believes will result in a significant structural, economic and cultural repositioning of the Target Area.



## Investment Policy

The investment policy of the Group is to establish a property portfolio that is diverse by sector (whether industrial, retail, office, or residential), by tenant and by capital value. The Group's key criterion for property acquisitions is the potential for rental and capital value growth through active property management and/or through a re-characterisation of the acquired real estate. Re-characterisation may arise purely as a result of the so called "Olympic effect" on the location, or it may need to be actively encouraged. Bringing about such re-characterisation may range from a simple image improvement programme for a previously neglected industrial estate to attract better quality tenants, to a full redevelopment scheme following the grant of planning consent for a change of use (for example from commercial to a residential or mixed-use project).

Whilst the majority of properties acquired are income-producing, the creation of further value through development or refurbishment is actively pursued. Development may be undertaken selectively across the sectors either by the acquisition of sites, with or without the benefit of planning consent, or through the management of income-producing properties into development opportunities. In certain locations a site assembly programme may be pursued with a view to obtaining planning consent for a comprehensive re-development. Joint ventures may also be entered into in circumstances where the continuing involvement of existing landowners, local authorities or central government agencies is necessary, or for large projects where a sharing of financial risk is appropriate. The Group may also pursue other indirect investments through property investment partnerships or unit trusts or investments in the equities of other property investment or property holding companies.

The structure used for each property acquisition is reviewed at purchase. Accordingly, the Company may, without limit, incorporate further subsidiaries to hold property or may acquire the share capital of companies, units in unit trusts, or partnership interests in partnerships which own one or more properties.

### Investment Restrictions

No property acquisition or new letting will be made if, immediately after the proposed acquisition or letting:

- less than 75% of Gross Property Asset Value will be situated within the Target Area; or
- any single tenant, other than any government or governmental (central or local), quasi-governmental, supranational statutory or regulatory body will account for more than 20% of contracted rental income.

Provided that these restrictions will not apply if Gross Property Asset Value is less than £100 million.

### Life span of the Company

There are no specific provisions for the life span of the Company, although the Directors estimate it to be up to 12 years.

In accordance with the Articles of Incorporation, a resolution will be proposed at the Annual General Meeting of the Company to be held in 2014 and at each Annual General Meeting held every two years thereafter giving Shareholders the opportunity to vote on whether the Company should continue as an investment company or to call for a winding up of the Company and a return of its distributable assets to Shareholders.

### Dividend Policy

The initial focus of the Company is the delivery of capital growth for Shareholders and therefore the Company will only consider the payment of dividends as and when it is appropriate to do so. To the extent that any dividends are paid they will be paid in accordance with any applicable laws and the regulations to which the Company is subject.

### Borrowings

Borrowings will not normally exceed 65% of the value of the Group's property portfolio at the time new borrowings are drawn down. Interest rate hedging is considered in the light of prevailing conditions at that time.

## Chairman's Statement

I am pleased to present the report and consolidated financial statements of the Group for the year ended 31 March 2010.

The steep and substantial falls in the capital value of UK properties generally, which started in June 2007, bottomed-out in July 2009, with a significant recovery in property values in the latter months of 2009 and the first quarter of 2010. I am pleased to report that the Group's property portfolio was valued at the year end at £170.2 million. Investment Property Databank ("IPD") has calculated the Group's total portfolio return for the year at 20.3%, which compares favourably with IPD's benchmark for March-valued funds of 17.4%. IPD has calculated our capital growth for the year at 12.6% (benchmark 9.7%) and income return at 6.9% (benchmark 7.0%). This is a creditable result and reflects well on our asset managers and the quality and location of the Group's portfolio.

The transaction of note during the year was the sale on 30 March 2010 of The Interchange, a prime industrial estate in Swanley, Kent which realised £24.4 million, a significant increase on the September 2009 valuation of this property of £17.8 million.

### Results

The Group reported a net profit for the year of £21.0 million (31 March 2009: loss of £92.3 million), representing a profit per Ordinary Share of 17.14p (31 March 2009: loss of 75.34p). The major contributors to this result were the unrealised gain of £15.6 million on revaluation of investment properties and realised gains on disposal of investment properties of £5.5 million. Consolidated net assets at 31 March 2010 were £13.6 million (31 March 2009: net liabilities of £7.4 million), and net asset value per Ordinary Share increased in the year to 11.11p (31 March 2009: net liability per Ordinary Share of 6.03p).

### Financing

In my last report, for the half year ended 30 September 2009, I noted that the loan facility with Nationwide Building Society and the other lenders (the "Lenders") had been successfully renegotiated and the revised terms took effect from 14 October 2009. Under the revised terms, the loan

facility will reduce from £170 million to £140 million on 31 March 2011. The sale of The Interchange has enabled the Group to make very substantial progress towards this target with the loan principal outstanding at 31 March 2010 reduced to £144.7 million (31 March 2009: £170.0 million).

In order to achieve this reduction, and to continue to meet the minimum interest cover ratio covenant of 115%, the Group repaid part of the fixed rate loan which incurred a break cost of £3.7 million.

The Board is actively exploring opportunities to raise additional equity capital in order to reduce borrowings and gearing and to take advantage of new opportunities. In the absence of such an injection of new cash, and provided property values remain stable over the next year, the Board expects to be able to meet the loan covenant requirements over the next year by making modest property disposals.

### Dividend

Given the ongoing economic uncertainty and in view of the Group's financial position, the Board does not recommend the payment of a dividend (31 March 2009: nil).

### Outlook

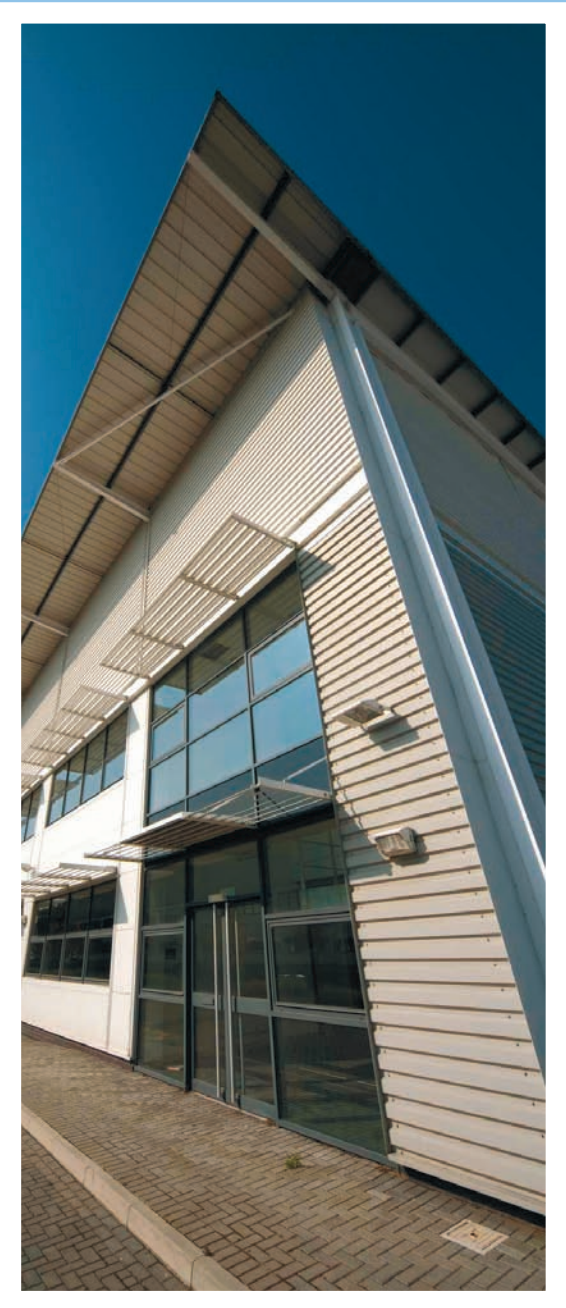
The uplift in property values during the second half of the financial year was a welcome bright spot after what has been the deepest and furthest reaching property downturn in recent times. However, the extent and duration of this upturn remains uncertain. Therefore, with the assistance of our Property Adviser and the continued support of our Lenders, cash preservation and generation coupled with strong asset management continue to be the key focus of the Board. There is every reason to continue to believe that the Group's Target Area to the east of London will benefit strongly from the effects of the Olympic Games to be held there just two years from now.

**P B Rhodes**

*Chairman*

13 July 2010

“The uplift in property values during the second half of the financial year was a welcome bright spot after what has been the deepest and furthest reaching property downturn in recent times.”



## Property Adviser's Report

### Rugby Asset Management

Rugby Asset Management Limited ("RAM"), a member of the Rugby Estates Plc group, was appointed Property Adviser to O Twelve Estates Limited ("O Twelve", the "Company", or the "Group") on its admission to AIM on 27 March 2006. We undertake, on a day to day basis, under delegated authority from the Board, all aspects of assembling, managing and financing O Twelve's property portfolio. Rugby Estates Plc group holds a 5.5% interest in the share capital of O Twelve Estates Limited.

### Market Comment

Since mid-2007, the property market has experienced an unprecedented correction, deeper and more far reaching than any other property downturn to date. From the peak of the market in June 2007 to July 2009, a period of just 25 months, the IPD All Property Monthly Index recorded a 44% decline in capital values. In the last property downturn of any significance, October 1989 to June 1993, a period of 44 months, the fall was just 27%.

In last year's report, we anticipated that at some point in late 2009 or early 2010 values would stabilise and some market activity would resume. The latter months of 2009 did indeed see a strong rally in capital values driven by investor demand, particularly for good quality investment properties. This positive demand has continued into 2010, although values are now stabilising as the perception that capital values were over-discounted recedes. The key uncertainties remain, however, namely the strength of the economic recovery, the possibility of a double-dip recession and the corresponding impact on tenant demand and rental values. The effect of the recession so far on tenant demand, voids and rental values, whilst undoubtedly adverse, has not been as bad as might have been feared at the start of 2009. Generally, conditions for most tenants, and hence property investors, are difficult but not disastrous. However, economic growth for the next year or two is likely to be anaemic and, with the overshoot on the downside now largely corrected, expectations for capital and rental value growth for the property sector as a whole for the immediate future must be modest.

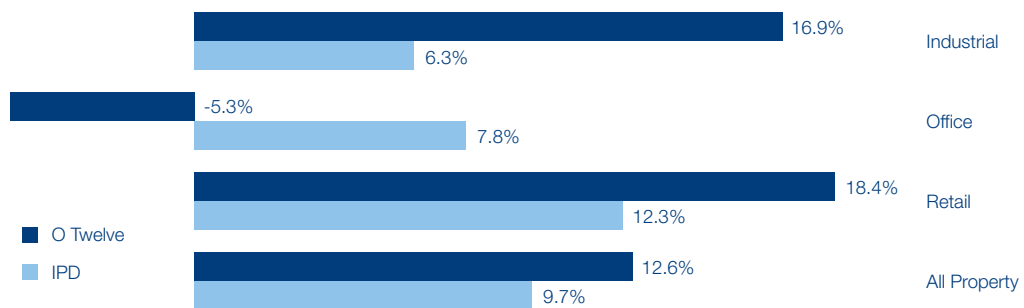
### Portfolio Performance

The Company's portfolio is now included within the Investment Property Databank ("IPD"), the accepted industry standard for benchmarking the relative performance of property funds. We are delighted to report that for the year ended 31 March 2010, the Company's portfolio produced a total return of 20.3%, as calculated by the IPD, ranking it as equivalent to 74th best performing fund out of the 238 funds that are monitored by the benchmark over the period. This compares with a total return of 17.4% for the property sector generally and reflects both the quality and investor appeal of many of the properties acquired for O Twelve's portfolio and the results of our "hands on" active management initiatives. Retail was the best performing sector within the portfolio producing a total return of 28.6%, followed closely by industrial where a 22.9% total return was achieved.

The portfolio was again externally valued at 31 March 2010 at £170.2 million. Capital growth for the portfolio over the year, as calculated by IPD (taking into account sales), was 12.6% which compares favourably with the 9.7% increase in capital values shown by the IPD benchmark.

The key driver of the valuation movement was the positive yield compression during the final quarter of 2009 and the first quarter of 2010 as the market reacted to a perceived over-correction on pricing, a limited supply of available investment stock and the weight of money looking to be invested in the property sector. The equivalent yield for the portfolio reduced by 142 basis points over the year to 7.5%, in line with the IPD All Property equivalent yield which reduced by 139 basis points to 7.23%. A successful letting campaign, particularly within the industrial and retail sectors, further improved performance. During the period 156,000 sq ft of industrial space was let adding circa £730,000 of annual rental income once initial rent free periods have expired. Despite the difficult economic conditions we have also been able to complete eight new leases with our various shopping centre schemes.

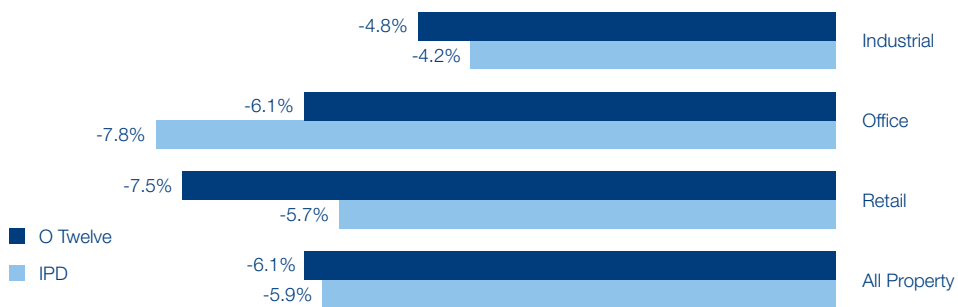
### Capital Value Movement compared to IPD Monthly Index



Source: IPD

Rental values within the portfolio have generally moved in line with the IPD Monthly Index, falling by a total of 6.7% over the period.

### Rental Value Movement compared to IPD Monthly Index



Source: IPD

### Portfolio Review as at 31 March 2010

- Valuation of £170.2 million
- 21 properties
- Average lot size of £8.1 million
- 194 lettable units let to 134 tenants
- Capital value by sector: retail 44%, industrial 34%, offices 8%, residential 4%
- Contracted annual rental income of £12.3 million
- The ERV is £14.6 million per annum. Thus additional potential rental income from reversions and letting vacant units is £2.3 million per annum
- 52% of income is from leases with more than 5 years to expiry
- Weighted average unexpired lease term is 6.4 years
- Portfolio initial yield of 7.0% before acquisition costs.

## Property Adviser's Report (continued)

### Rental Value Analysis – 31 March 2010

	£million
Current annualised income	12.0
Rent free periods	0.3
Available for letting	2.0
Reversions	0.3
Rental value	14.6

### Activity

Three sale transactions took place during the year. The most significant sale was of The Interchange, an industrial estate in Swanley where, following a comprehensive refurbishment, the estate was sold to an institutional investor for a net price of £24.4 million; a premium of 39% over the March 2009 valuation. The two remaining sales were both part disposals at Redwing Court, Romford where newly refurbished units were sold to owner occupiers. Aggregate sales proceeds from these three disposals were £25.9 million. There were no acquisitions during the year.

Once again, our focus has been on asset management and maximising cashflow. We are delighted to report that fifteen new leases were completed over the year, accounting for 174,000 sq ft and nearly £1.1 million of rental income after the expiry of rent free periods. Eight rent reviews have also been completed, realising reversionary income of £138,000 per annum.

### Void Analysis

At 31 March 2010 the void rate in the portfolio stood at 14.1% by rental value. While the rental value of vacant space is £2.0 million, approximately £0.1 million of this is currently under offer and assuming these potential lettings complete the void rate will fall to 13.3%. Since 31 March 2010 we have also placed under offer and completed a further lease to All Saints Retail on a distribution unit of 49,000 sq ft at Larkfield Mill in Aylesford. Following this letting the void rate has reduced to 13.0%.

### Income Security

Given the continuing uncertainty in the economy we continue to focus closely on rent collection, minimising irrecoverable outgoings, security of income and tenant covenant strength. Within the portfolio approximately 52% of the contracted rent is secure for more than five years. Where leases are for less than five years, opportunities exist to refurbish or consider changes of use, subject to planning in order to maximise value. In our view, the portfolio offers a good balance between income security and such opportunities to add value.

### Income Expiry Profile – 31 March 2010

Within 5 years	48%
5 – 10 years	31%
After 10 years	21%

Of the portfolio's 134 tenants, 20 account for 53% of the contracted rental income with the top 10 accounting for 39%. Tenants of, in our view, undoubted or "national" standard account for 83% of the contracted rent while smaller regional and local companies account for 17% of the contracted rent.

### Outlook

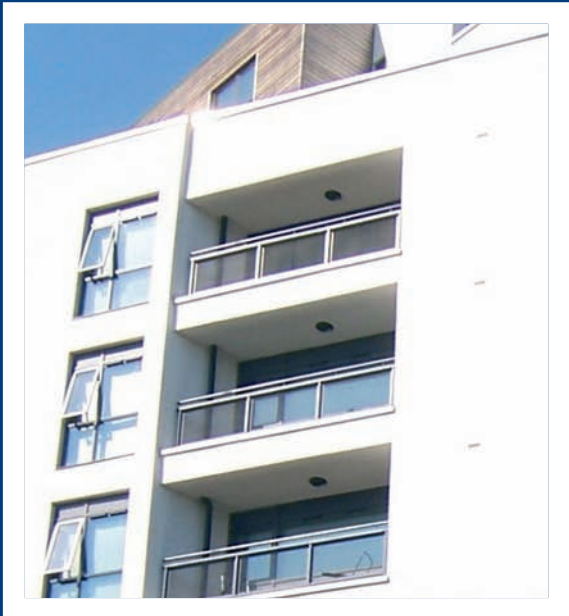
Prospects for the real estate market have improved. We believe that O Twelve's Target Area of activity is well placed to take advantage of this optimism. The Olympic Games are fast approaching and the unprecedented public and private investment that is driving Europe's largest single regeneration project around Stratford, London's East End and the Thames Gateway is gathering momentum and this should result in a strengthening of occupational demand. The medium term prospects for the Target Area remain unchanged, especially as we are now emerging from the cyclical downturn of the last two years. Rental and capital value growth prospects are therefore good.

David Tye

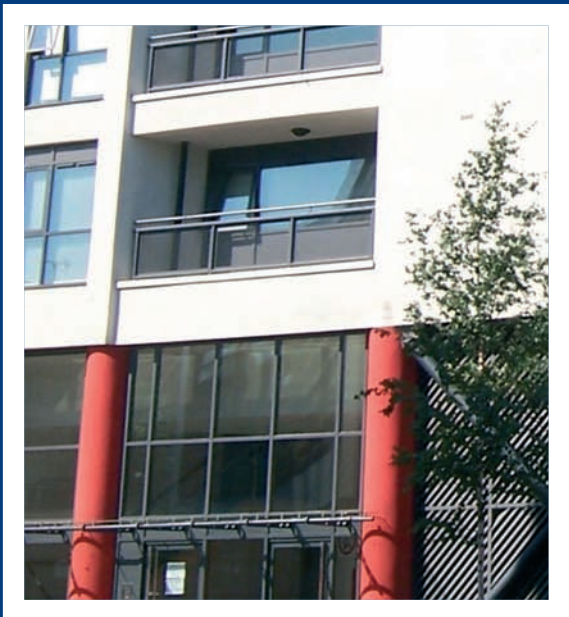
Andrew Wilson

Rugby Asset Management Limited

13 July 2010



“Prospects for the real estate market have improved. We believe that O Twelve’s Target Area of activity is well placed to take advantage of this optimism.”



## Directors

### Phillip Rhodes (Chairman)

Phillip is a chartered accountant with over 30 years experience in the financial and commercial management of several public and private companies, mainly at board level. He is a past non-executive director and Chairman of Workspace Group PLC, a leading specialist property investment company devoted to the provision of flexible workspace for small and medium sized businesses in and around London.

### Howard Stanton

Howard is a certified accountant and property and business consultant to a range of businesses. He was chairman and previously managing director of Allied London Properties plc when it was a fully listed property investment company and is also a non-executive director of Town Centre Securities and Anglo Scottish Properties plc.

### Quentin Spicer

Quentin qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970. He moved to Guernsey in 1996 as a senior partner in Spicer & Partners Guernsey LLP (previously Wedlake Bell Guernsey), specialising in United Kingdom property transactions for non-United Kingdom resident entities. He is chairman of the Guernsey Housing Association LBG, IRP Property Investments Limited, RAB Special Situations Company Limited and is a non-executive director of several other property funds both listed and unlisted. He is a member of the IOD and holds a Personal Fiduciary Licence from the Guernsey Financial Services Commission.

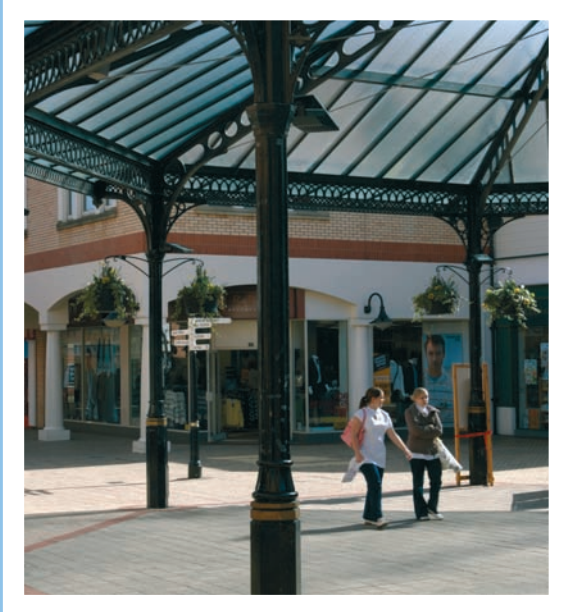
### Richard Barnes

Richard is a chartered surveyor and is chairman of BNP Paribas Real Estate Jersey. Richard has 25 years experience of working in the real estate sector and has also held posts at Hillier Parker, Vigers and Bernard Thorpe. Richard is the past chairman of the Jersey branch of the Royal Institution of Chartered Surveyors. He is chairman of the Invesco Property Income Trust and sits on the board of a number of listed and private property funds.

### Peter Radford

Peter was appointed managing director of Bordeaux Services on its incorporation in 1997. Peter started his career with BDO Reads in 1978 and subsequently worked for Executive Management Trust in Amsterdam (1981-1983) and Fisher Hoffman Stride in Johannesburg (1983-1986). From 1986 to 1991 he was Managing Director of the Abroad Spectrum Group based in Durban, South Africa. In 1991 Peter returned to Guernsey to develop the fund administration and asset management business of the Havelet Trust Group.

He holds a number of directorships of a range of Guernsey-based mutual fund companies and investment companies. Peter is a Fellow of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute for Securities and Investment. He is also a Member of the South African Institute of Chartered Accountants and of the Society of Trust and Estate Practitioners.



## Report of the Directors

The Directors present their report and consolidated financial statements for the year ended 31 March 2010.

### Status and Activities

The Company is a closed-ended investment company registered under the provisions of The Companies (Guernsey) Law 2008, as amended.

The Company was incorporated on 1 March 2006 and on 27 March 2006 the Company raised gross proceeds of £122.5 million through the issue of 122.5 million Ordinary Shares of 1.00 pence each at 100.00 pence each with the Ordinary Shares being admitted to trading on AIM, a market operated by the London Stock Exchange.

The Company has elected to be an "authorised" closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. This has no impact on the operation of the Company.

The Group's objective is to generate an attractive return for Shareholders through the assembly of a portfolio of investment properties in its Target Area, which comprises the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent. The Board believes capital and rental values will react favourably to the major regeneration initiatives and infrastructure improvements taking place in these areas. The Olympic Games to be held in and around Stratford, east London, in 2012 are a major catalyst for these improvements which the Board believes will result in a significant structural, economic and cultural repositioning of the Target Area.

### Results

The steep and substantial falls in the value of UK properties generally, which started in June 2007, bottomed-out in July 2009, with a significant recovery in property values in the latter months of 2009 and the first quarter of 2010. This upturn resulted in capital growth for the portfolio over the year, as calculated by IPD (taking into account sales), of 12.6%.

### Profit

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 18. The Group recorded a profit for the year of £21.0 million (2009: loss of £92.3 million). The major contributors to this result were the unrealised gain of £15.6 million on revaluation of investment properties and realised gains on disposal of investment properties of £5.5 million.

### Net assets

As at 31 March 2010, the Group's consolidated net asset value ("NAV") was £13.6 million (2009: net liabilities of £7.4 million) and the NAV per Ordinary Share was 11.11p (2009: net liabilities per Ordinary Share of 6.03p).

### Financing

On 14 October 2009, the Group successfully renegotiated its loan facility (see note 13 for further details). Since that date the outstanding loan principal has been reduced to £144.7 million at 31 March 2010. Therefore, the Group is comfortably on target to reduce the loan facility to £140 million by 31 March 2011, as required by the revised terms of the facility.

The loan to value ("LTV") covenant will not be tested until the Lenders receive the portfolio valuation as at 31 March 2011, at which time the LTV must not exceed 85% calculated on the loan principal outstanding. The LTV covenant will reduce to 80% from 31 March 2012 and to 75% from 31 March 2013. At 31 March 2010 the LTV was 85.0%. The income cover ratio ("ICR") covenant is 115% until 31 March 2011 (provided that if rent free periods were treated as rent passing the ratio would be at least 120%), increasing to 120% thereafter. For the quarter ended 26 April 2010, the ICR was 122%. Actual and prospective ICR ratios are monitored regularly and the portfolio is managed so far as practicable to maximise current rental income. In addition, the opportunity was taken on the disposal of The Interchange, Swanley on 30 March 2010, to apply part of the sale proceeds in breaking fixed rate debt, thus reducing ongoing quarterly finance costs. Similar actions will be considered on any future disposals.

## Share Capital

The Company has authority to buy back up to 14.99% of the Ordinary Shares issued at the original placing for cancellation. No Ordinary Shares were purchased for cancellation during the year (2009: nil). The Company intends to seek to renew the necessary authorities to buy back Ordinary Shares at the forthcoming Annual General Meeting to be held on 27 August 2010.

The Company has authority to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares. No Ordinary Shares were purchased during the year to be held as Treasury Shares (2009: nil).

With these measures your Board has the ability to exert a positive influence, as and when deemed appropriate and subject to the availability of sufficient funds, over the level of any discount to net asset value at which the Ordinary Shares may trade.

## Option

An Option Agreement was entered into on 22 March 2006 between the Company and Collins Stewart Europe Limited under which the Company granted Collins Stewart Europe Limited the right to subscribe for up to 1,225,000 Ordinary Shares at the Placing Price of 100.00 pence, such option being exercisable at any time up to and including the fifth anniversary of the date of grant. During the year ended 31 March 2010 the option to subscribe for Ordinary Shares was not taken up by Collins Stewart Europe Limited.

## Dividends

The Company did not pay an interim dividend during the year and the Board does not propose to pay a final dividend (31 March 2009: £nil paid during year).

## Property

The properties were externally valued at £170.2 million as at 31 March 2010 (31 March 2009: £173.6 million). Further details of the properties are given in the Property Adviser's Report on pages 4 to 6.

## Material Contracts

The Company's material contracts are with Rugby Asset Management Limited ("RAM"), which acts as Property Adviser, Elysium Fund Management Limited ("Elysium"), which acts as Administrator and Secretary, Fairfax I.S. PLC, which acts as Nominated Adviser and Broker, Capita Registrars (Guernsey) Limited, which acts as Registrar and HSBC Bank plc and Nationwide Building Society, the Group's bankers.

## Property Adviser

RAM is Property Adviser and is entitled to receive an annual management fee and an annual performance fee from the Company (see note 3).

## Administration

Elysium is entitled to an administration fee from the Company (see note 3).

## Appointment of the Property Adviser

The Directors believe that RAM performed creditably during the financial year and, in the opinion of the Directors, it is in the interests of Shareholders as a whole to retain the services of RAM on the terms of the Property Adviser's Agreement, which are disclosed in note 3.

## Appointment of the Administrator

The Directors believe that Elysium performed creditably during the financial year and, in the opinion of the Directors, it is in the interests of Shareholders as a whole to retain the services of Elysium on the terms agreed.

## Report of the Directors (continued)

### Taxation

The Company and its Guernsey subsidiaries have been granted exemption from Guernsey taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and are charged an annual exemption fee of £600 each.

The property holding subsidiaries are subject to UK income tax on rental income received (see the accounting policies for details).

### Directors

The present members of the Board are listed on page 8.

At 31 March 2010 the Directors' interests in the Ordinary Shares of the Company were as follows:

	<i>Ordinary Shares</i>
Phillip Rhodes	150,000
Howard Stanton	75,000
Peter Radford	40,000
Quentin Spicer	25,000
Richard Barnes	50,000

There were no changes in the interests of Directors between 31 March 2010 and 13 July 2010.

There are no service contracts in place between the Company and the Directors.

### Substantial Interests

As at 13 July 2010, the following interests of 3% or more of the issued Ordinary Share capital had been notified to the Company:

	<i>Number of shares</i>	<i>% of share capital</i>
<i>Funds managed by:</i>		
Panther Securities Plc	36,650,000	29.92
Utilico Limited	28,175,179	23.00
Rensburg Sheppards		
Investment Management	7,452,594	6.08
Rugby Estates Plc	6,694,500	5.46

### Going Concern

Following the successful completion of the financial restructuring in October 2009 and on the basis of the Group's current expectations and projected cash flows, the Board believes that the Group will be able to satisfy its working capital requirements for at least the next twelve months, and will not be required by its Lenders to make early settlement of its outstanding loans. The Board has therefore concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Board is actively exploring opportunities to raise additional equity capital in order to reduce borrowings and gearing and to take advantage of new opportunities. In the absence of such an injection of new cash, and provided property values remain stable over the next year, the Board expects to be able to meet the loan covenant requirements over the next year by making modest property disposals.

### Future prospects

With the successful completion of the loan restructuring and disposals made during the year the Group is on target to meet the revised loan conditions now in place. This, together with the expected benefits to the Group's Target Area due to the fast approaching Olympic Games, gives the Directors confidence that despite the difficult conditions remaining in the aftermath of the global financial crisis, the Group is well positioned to continue its recovery.

### Corporate Governance and Directors' Remuneration

As a Guernsey incorporated company and under the AIM Rules for companies, the Company is not required to comply with the new Combined Code published by the Financial Reporting Council (the "2008 FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and that the Company complies with the Guidance on Corporate Governance in the Finance Sector in Guernsey. As a result,

many of the principles set out in the 2008 FRC Code have been adopted and these are summarised below, together with the areas of non-compliance.

The Company complied throughout the year with the provisions of the 2008 FRC Code, except in the following aspects:

- A.1.3 The Directors have not met separately, without the Chairman present, to appraise the Chairman's performance. The Board decided that this was not appropriate given the nature of the Company.
- A.3.3 The Chairman, Mr Rhodes, is the senior non-executive Director. This is not in accordance with provision A.3.3 of the 2008 FRC Code but is felt to be appropriate for the size and composition of the Board.
- A.4.1 The Board has not established a nomination committee as it does not consider it to be appropriate for the size and composition of the Board.
- A.6.1 The Board did not undertake a formal performance review of the Board, its committees or the individual Directors during the period. The Board decided that this was not appropriate given the size and composition of the Board.
- A.7.2 The Directors are not appointed for specific terms as this was not felt to be appropriate for the size and nature of the Company.
- B.2.1 The Board has not established a remuneration committee as it does not have any executive Directors and does not consider it to be appropriate for the size and composition of the Board.

### Board Responsibilities

The Board currently comprises five non-executive Directors. As all the Directors are non-executive, the Chairman, Mr Rhodes, is the senior non-executive Director. The Company has no executive Directors and no employees. However, the Board has engaged external companies to undertake the property investment advisory and administrative

activities of the Company. Clear documented contractual arrangements are in place between these firms which define the areas where the Board has delegated responsibility to them. The Company holds at least four Board meetings per year, at which the Directors review the Company's investments and all other important issues to ensure control is maintained over the Company's affairs.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Property Adviser, Nominated Adviser and Broker and the Administrator. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Group and that should be brought to the attention of the Directors. The Directors also have access to the Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Group.

The Board has a breadth of experience relevant to the Group, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new appointment of a Director to the Board, consideration will be given as to whether a formal induction process is appropriate. The Board believes that the mix of skills, experience, ages and length of service are appropriate to the requirements of the Group.

The Board considers agenda items laid out in the notice and agenda, which are formally circulated to the Board in advance of a meeting as part of the Board papers and, therefore, Directors may request any agenda items to be added that they consider appropriate for Board discussion. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

Since all the Directors are non-executive, the Company is not required to state how it has applied B.1 to B.3 of the 2008 FRC Code on directors' remuneration. However, the fee that was paid to each Director during the year is shown in note 5 to the consolidated financial statements.

## Report of the Directors (continued)

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance is unavoidable in certain circumstances. The table below details the number of Board meetings attended by each Director. During the year ended 31 March 2010 seven Board meetings, two meetings of committees of the Board and two Audit Committee meetings were held.

	<i>Board meetings attended</i>	<i>Committee meetings attended</i>	<i>Audit Committee meetings attended</i>
Phillip Rhodes	6/7	0/2	2/2
Howard Stanton	6/7	0/2	2/2
Peter Radford	7/7	2/2	2/2
Quentin Spicer	7/7	2/2	2/2
Richard Barnes	7/7	0/2	2/2

### Audit Committee

The Audit Committee has formal written terms of reference which clearly defines its responsibilities. The Audit Committee comprises all the Directors of the Company and meets at least twice a year. Mr Radford is Chairman of the Audit Committee. It provides a forum through which the Company's auditors report to the Board.

### Dialogue with Shareholders

The Directors are always available to enter into dialogue with Shareholders. All Ordinary Shareholders will have the opportunity, and indeed are encouraged, to attend and vote at the Annual General Meeting during which the members of the Board, Nominated Adviser and Broker and the Property Adviser will be available to discuss issues affecting the Company. The Board stays abreast of Shareholders' views via regular updates from the Nominated Adviser and Broker and the Property Adviser as to meetings it may have held with Shareholders. The Property Adviser will also be available to discuss issues at Shareholder presentations.

### Litigation

The Group is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Group.

### Internal Control and Financial Reporting

The Board monitors the performance of the Company's service providers and their obligations under their agreements with the Company, with particular reference to the management of the Company's assets by the Property Adviser.

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Elysium is responsible for the provision of administration and company secretarial duties;
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts;
- The Board reviews financial information produced by the Property Adviser and the Administrator on a regular basis; and
- On an ongoing basis, compliance reports are provided at each quarterly Board meeting by the Administrator.

The Company does not have an internal audit department. All of the Company's management functions are delegated to independent third parties and it is therefore felt that there is no need for the Company to have an internal audit facility.

The Directors do not conduct a formal annual review of the internal controls. However, the Board feels that the procedures employed by the service providers adequately mitigate the risks to which the Company is exposed.

#### Payment to Creditors

Amounts due to suppliers and service providers are settled promptly within the terms of the payment, except in cases of dispute.

#### Financial Risk Profile

The Group's financial instruments comprise cash, loans and various items such as debtors and creditors that arise directly from the Group's operations. The main purpose of these instruments is the investment of Shareholders' funds.

The main risks are price risk, interest rate risk, credit risk and liquidity risk. Further details are given in note 22 to the consolidated financial statements.

#### Auditors

Ernst & Young LLP have expressed their willingness to continue to act as Auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

#### Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable laws and regulations.

Company Law requires Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.



## Report of the Directors (continued)

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group 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 accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the requirements of The Companies (Guernsey) Law 2008, as amended. They are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the website on which these financial statements can be published.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. To the best of our knowledge and belief:

- the financial statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Property Adviser's Report includes a review of the development, performance and position of the Group during the year; and
- the financial statements include an analysis of the principal risks and uncertainties faced by the Group.

### Disclosure of Information to Auditors

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

On behalf of the Board.

**Phillip Rhodes**  
*Director*  
13 July 2010

**Peter Radford**  
*Director*  
13 July 2010

## Independent Auditor's Report to The Members of O Twelve Estates Limited

We have audited the consolidated financial statements of O Twelve Estates Limited for the year ended 31 March 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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 Auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law, as set out in the Directors' Responsibilities in respect of the Financial Statements.

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 (Guernsey) Law, 2008. We also report to you if, in our opinion, the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the consolidated financial statements. This other information comprises the Investment

Objective and Investment Policy, Chairman's Statement, Property Adviser's Report, Property Portfolio, and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

### 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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.

### Opinion

In our opinion the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards of the state of the Group's affairs as at 31 March 2010 and of its result for the year then ended and have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

Ernst & Young LLP  
Guernsey, Channel Islands  
13 July 2010

## Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<b>Income</b>			
Rent receivable		14,510	14,289
Service charges receivable		3,194	3,609
Bank interest		27	292
Other interest		12	32
<b>Total income</b>		<b>17,743</b>	<b>18,222</b>
<b>Expenses</b>			
Service charges payable		(3,194)	(3,609)
Management fees	3	(1,050)	(2,441)
Other operating expenses	4	(2,449)	(2,255)
<b>Total expenses</b>		<b>(6,693)</b>	<b>(8,305)</b>
<b>Investment gains and losses</b>			
Unrealised gain/(loss) on revaluation of investment properties	9	15,579	(77,653)
Realised gain from sale of investment properties	9	5,494	–
<b>Total investment gains and losses</b>		<b>21,073</b>	<b>(77,653)</b>
<b>Net profit/(loss) from operating activities</b>		<b>32,123</b>	<b>(67,736)</b>
Net losses on interest rate swap		(45)	(13,989)
Interest payable and similar charges	6	(11,004)	(10,397)
<b>Total financing gains and losses</b>		<b>(11,049)</b>	<b>(24,386)</b>
<b>Profit/(loss) before taxation</b>		<b>21,074</b>	<b>(92,122)</b>
Taxation	7	(81)	(175)
<b>Total comprehensive profit/(loss) for the year attributable to owners of the Company</b>		<b>20,993</b>	<b>(92,297)</b>
<b>Profit/(loss) per Ordinary Share – basic and diluted</b>	8	<b>17.14p</b>	<b>(75.34)p</b>

All items in the above statement are derived from continuing operations.

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital £'000	Other reserves £'000	Total £'000
Balance at 1 April 2009	1,225	(8,607)	(7,382)
Profit for the year attributable to owners of the Company	–	20,993	20,993
<b>Balance at 31 March 2010</b>	<b>1,225</b>	<b>12,386</b>	<b>13,611</b>

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital £'000	Other reserves £'000	Total £'000
Balance at 1 April 2008	1,225	83,690	84,915
Loss for the year attributable to owners of the Company	–	(92,297)	(92,297)
<b>Balance at 31 March 2009</b>	<b>1,225</b>	<b>(8,607)</b>	<b>(7,382)</b>

The accompanying notes on pages 22 to 41 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000
<b>Non-current assets</b>			
Investment property	9	170,200	173,634
Restricted cash and cash equivalents	13	1,905	3,059
		172,105	176,693
<b>Current assets</b>			
Receivables and prepayments	11	5,145	5,381
Cash and cash equivalents		2,236	4,928
		7,381	10,309
<b>Total assets</b>		<b>179,486</b>	<b>187,002</b>
<b>Current liabilities</b>			
Payables and accruals	12	(6,136)	(6,454)
Bank loan	13	–	(169,684)
Fair value of interest rate swap	13	–	(18,246)
		(6,136)	(194,384)
<b>Non-current liabilities</b>			
Bank loan	13	(145,139)	–
Fair value of interest rate swap	13	(14,600)	–
		(159,739)	–
<b>Total liabilities</b>		<b>(165,875)</b>	<b>(194,384)</b>
<b>Net assets/(liabilities)</b>		<b>13,611</b>	<b>(7,382)</b>
<b>Capital and reserves attributable to owners of the Company</b>			
Called-up share capital	14	1,225	1,225
Other reserves	15	12,386	(8,607)
<b>Attributable to owners of the Company</b>		<b>13,611</b>	<b>(7,382)</b>
<b>Net Asset/(Liability) Value per Ordinary Share – basic and diluted</b>	17	<b>11.11p</b>	<b>(6.03)p</b>

The financial statements on pages 18 to 41 were approved by the Board of Directors on 13 July 2010 and were signed on its behalf by:

Phillip Rhodes  
Director

Peter Radford  
Director

13 July 2010

13 July 2010

The accompanying notes on pages 22 to 41 form an integral part of these financial statements.

## Consolidated Statement of Cash Flows

for the year ended 31 March 2010

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<b>Operating activities</b>		
Profit/(loss) before taxation	21,074	(92,122)
<i>Adjustments for:</i>		
Unrealised (gain)/loss on revaluation of investment properties	(15,579)	77,653
Realised gain from sale of investment properties	(5,494)	–
Net losses on interest rate swap	45	13,989
Interest payable and similar charges	11,004	10,397
Rents transferred on sale of property	338	–
Taxation paid	(201)	(275)
Purchase/refurbishment of investment property	(694)	(1,522)
Proceeds from sale of investment property	1,761	–
<b>Net cash inflow from operating activities before working capital changes</b>	<b>12,254</b>	<b>8,120</b>
(Increase)/decrease in receivables and prepayments	(342)	6,646
Decrease in payables and accruals	(373)	(1,016)
<b>Net cash inflow from operating activities <sup>(1)</sup></b>	<b>11,539</b>	<b>13,750</b>
<b>Financing activities</b>		
Loan interest and similar charges paid	(9,297)	(10,589)
Repayment of loan	(5,238)	–
Loan arrangement fees paid	(850)	–
<b>Net cash outflow from financing activities</b>	<b>(15,385)</b>	<b>(10,589)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(3,846)</b>	<b>3,161</b>
Cash and cash equivalents at beginning of year	7,987	4,826
(Decrease)/increase in cash and cash equivalents	(3,846)	3,161
<b>Cash and cash equivalents at end of year</b>	<b>4,141</b>	<b>7,987</b>
Cash and cash equivalents at the end of the year comprise:		
Non-current cash and cash equivalents	1,905	3,059
Cash and cash equivalents	2,236	4,928
	<b>4,141</b>	<b>7,987</b>
<sup>(1)</sup> Net cash inflow from operating activities includes:		
Bank interest received	27	292

The accompanying notes on pages 22 to 41 form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2010

## 1. General information

The Company was incorporated on 1 March 2006 as a closed-ended investment company registered under the provisions of The Companies (Guernsey) Law, 2008, as amended. On 27 March 2006 the Company raised gross proceeds of £122.5 million through the issue of 122.5 million Ordinary Shares of 1.00 pence each at 100.00 pence each with the Ordinary Shares being admitted to trading on AIM, a market operated by the London Stock Exchange.

The Company has elected to be an "authorised" closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. This has no impact on the operation of the Company.

The Group's objective is to generate an attractive return for Shareholders through the assembly of a portfolio of investment properties in its Target Area, which comprises the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent.

### Going concern

At 31 March 2010 cash balances available to the Group were £2.2 million and following the restructuring of the Group's loan facilities on 14 October 2009 the Group has access to sufficient cash flow out of rental income to cover basic running costs. However, the Group's scope to improve the portfolio through refurbishment and to secure lettings of vacant properties through cash incentives is relatively limited. The Board is actively exploring opportunities to raise additional equity capital in order to reduce borrowings and gearing and to take advantage of new opportunities. In the absence of such an injection of new cash, and provided property values remain stable over the next year, the Board expects to be able to meet the loan covenant requirements over the next year by making modest property disposals. Accordingly, the Board has determined that the Group will have sufficient working capital for at least the next 12 months and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

## 2. Significant accounting policies

### a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee and applicable legal and regulatory requirements of Guernsey Law and reflect the following policies, which have been adopted and applied consistently by the Group throughout the year.

### b) Basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at fair value of investment properties and the interest rate swap.

The functional currency of the Company, and each entity in the Group, is Sterling as this is the currency of the primary economic environment within which the Group operates, the debt and equity was generated in Sterling and all receipts from operating activities are received in Sterling. The presentational currency of the Group is also Sterling and the financial statements have been rounded to the nearest thousand.

**c) Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March 2010. The results of the subsidiary undertakings are accounted for in the Consolidated Statement of Comprehensive Income.

Acquired companies have been included in the consolidated financial statements using the purchase method of accounting when, and only when, the transaction can be identified as a business combination. When determining if an acquisition qualifies as a business combination or not, management considers if the transaction includes the acquisition of supporting infrastructure, employees, service provider agreements and major input and output processes, as well as active lease agreements. To date, management have determined that these criteria have not been met and so no business combinations have been recorded.

When the transaction has not been identified as being a business combination, the transaction has been accounted for as an acquisition of individual assets and liabilities at their relative fair values where the initial purchase consideration is allocated to the separable assets and liabilities acquired.

The cost of investment in a subsidiary is eliminated against the Group's share in net assets at the date of acquisition. All intercompany receivables, payables, income and expenses are eliminated. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group financial statements incorporate the net assets and liabilities of the Company and its subsidiaries at the year end date and their results for the year then ended. All intercompany balances and transactions are eliminated.

**d) Segmental reporting**

In accordance with IFRS 8: *Operating Segments* these consolidated financial statements include disclosure of segment results based on internal management reporting information that is regularly reviewed by the Board. In the previous consolidated financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Adoption of this Standard did not have any effect on the financial position or performance of the Group.

**e) Income recognition**

Short-term deposit interest is accounted for on an accruals basis.

Rental income arising from operating leases on properties owned and leased by the Group is accounted for on a straight line basis over the period commencing on the later of the start of the lease or acquisition of the property by the Group, and ending on the earlier of the end of the lease and the next break point, unless it is reasonably certain that the break option will not be exercised. Rental income revenue excludes service charges and other cash directly recoverable from tenants. Direct costs of rental income comprise head rents payable, irrecoverable service charge costs and other property outgoings. Rental income is shown gross of any UK income tax.

**f) Expenses**

All expenses are accounted for on an accruals basis. All of the Group's expenses (with the exception of share issue costs, which are charged directly to other reserves) are charged through the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

## Notes to the Consolidated Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### g) Taxation

Investment income is recorded gross of applicable taxes and tax expense is recognised through the Consolidated Statement of Comprehensive Income as incurred. The property subsidiaries are subject to UK income tax on income arising on the property portfolio, after deduction of its debt financing costs and allowable expenses.

#### h) Cash and cash equivalents

Cash in hand and in banks and short-term deposits, which are held to maturity, are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consists of cash in hand and deposits at banks with original maturities of three months or less but does not include deposits with solicitors.

#### i) Investment properties – freehold and leasehold

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property.

After initial recognition, freehold and leasehold investment properties are measured at fair value, with unrealised gains and losses recognised through the Consolidated Statement of Comprehensive Income. The fair value of the investment property is largely based on estimates using property appraisal techniques and other valuation methods as outlined below. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

The appraisers determine the fair value by applying the methodology and guidelines as set out in the Appraisal and Valuation Standards 6th Edition (the "Red Book") issued by the Royal Institution of Chartered Surveyors in the United Kingdom in accordance with IAS 40: *Investment Property*. This approach is based on discounting the future net income receivable from properties to arrive at the net present value of the future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to future vacancy years. The consideration basis for this calculation excludes the effects of any taxes. The discount factors used to fair value are consistent with those used to value similar properties, with comparable leases in each of the respective markets.

#### *Judgements and key sources of estimation uncertainty*

In determining fair value by applying the methodology and guidelines as set out in the Red Book in accordance with IAS 40: *Investment Property*, judgements and estimations are made over the future net income receivable from properties and discounting factors.

All investment properties are valued twice per year by independent appraisers. The last valuation for investment properties carried out by CB Richard Ellis ("CBRE") was at 31 March 2010.

#### j) Net asset/(liability) value per Ordinary Share and profit/(loss) per Ordinary Share

The net asset/(liability) value per Ordinary Share disclosed on the face of the Consolidated Statement of Financial Position is calculated by dividing the net assets/(liabilities) by the number of Ordinary Shares in issue at the year end.

Profit/(loss) per Ordinary Share is calculated by dividing net profit/(loss) for the year by the weighted average number of Ordinary Shares in issue during the year.

**k) Receivables and prepayments**

Receivables are carried at the original invoice amount, less allowance for doubtful receivables. Provision is made when there is objective evidence that the Group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**l) Bank loan arrangement fees**

Bank loan arrangement fees are deducted from the carrying amounts of the loan in accordance with IAS 39: *Financial Instruments: Recognition and Measurement*, and amortised over the period of the loan, using the effective interest method.

**m) Non-current liabilities**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received. After initial recognition, all floating-rate interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement, using the effective interest method.

**n) Derivative financial instruments**

The Group uses an interest rate swap to hedge its risks associated with interest rate fluctuations. It is the Group's policy not to trade in derivative financial instruments.

The fair value of the interest rate swap contract is determined on a bid basis as the amount that the Group would receive or pay to terminate the contract at the year end date, taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties, with movements in fair value recognised through the Consolidated Statement of Comprehensive Income.

**o) Leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating lease payments are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

**p) IAS 1: *Presentation of Financial Statements (revised 2007)***

For accounting periods beginning on or after 1 January 2009, the amendments to IAS 1: *Presentation of Financial Statements* became mandatory for all entities preparing financial statements under IFRS. Although the adoption of the amended standard has altered the appearance of the primary financial statements and the comparative information, there has been no change to the measurement and recognition of the Group's assets, liabilities, income or expenses.

**q) IFRS 7: *Financial Instruments: Disclosures***

The adoption of the amendments to IFRS 7, which are effective for accounting periods beginning on or after 1 January 2009, did not have any effect on the financial position or performance of the Group. The standard requires additional disclosures about fair value measurement and liquidity risk. The amendments clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are presented in note 22.

## Notes to the Consolidated Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### r) New standards and interpretations not applied

The IASB and IFRS Interpretations Committee have issued the following standards and interpretations with an effective date after the commencement date of these financial statements:

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IAS 1	Presentation of Financial Statements (revised April 2009)	1 January 2010
IAS 7	Statement of Cash Flows (revised April 2009)	1 January 2010
IAS 17	Leases (revised April 2009)	1 January 2010
IAS 24	Related Party Disclosures (revised November 2009)	1 January 2011
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 July 2009
IAS 28	Investments in Associates (revised 2008)	1 July 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 July 2009
IAS 32	Financial Instruments: Presentation (revised 2009)	1 February 2010
IAS 36	Impairment of Assets (revised April 2009)	1 January 2010
IAS 38	Intangible Assets (revised April 2009)	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised July 2008, March 2009 and April 2009)	30 June 2009, 1 July 2009 and 1 January 2010
IFRS 1	First time Adoption of International Financial Reporting Standards (revised November 2008, July 2009 and January 2010)	1 July 2009, 1 January 2010 and 1 July 2010
IFRS 2	Share-based Payment (revised April 2009 and June 2009)	1 July 2009 and 1 January 2010
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 5	Non current Assets Held for Sale and Discontinued Operations (revised May 2008 and April 2009)	1 July 2009 and 1 January 2010
IFRS 8	Operating Segments (revised April 2009)	1 January 2010
IFRS 9	Financial Instruments: Classification and Measurement (issued November 2009)	1 January 2013
<i>IFRS Interpretations Committee (IFRIC)</i>		
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirement and their Interaction (amended November 2009)	1 January 2011
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Directors have chosen not to early adopt the above standards and interpretations. Therefore, the standards and interpretations will be adopted from the effective date, as stated. Management are of the opinion that, upon adoption, the above standards will not have a material impact on the Group's financial statements.

### 3. Management and administration fees

#### *Property Adviser*

The terms of the Property Adviser's appointment were revised on 17 February 2009. The Property Adviser, Rugby Asset Management Limited ("RAM") is entitled to an aggregate annual management fee payable quarterly in arrears, at the rate of 0.6% per annum with effect from 1 April 2009 (previously 1.0% per annum) of the Gross Property Asset Value ("GPAV").

In addition to the annual management fee, the Property Adviser is entitled to an annual performance fee. The performance fee (to the extent payable) is linked to cumulative total return per Ordinary Share ("CTR") (comprising the Group's net asset value per share ("NAPS") plus the aggregate dividends per share paid since Admission) exceeding the Performance Benchmarks. To the extent that it becomes payable, the performance fee will comprise the First Performance Fee and the Second Performance Fee (both as described below) and together referred to below as the "Performance Fee".

The First Performance Benchmark will be an amount per share representing 50p per share compounded up to 10.0% per annum from 31 March 2009. If at the end of any financial period of the Company the CTR is in excess of the First Performance Benchmark, the First Performance Fee will be calculated as 15.0% of the amount by which such CTR exceeds the higher of the First Performance Benchmark, and the highest previous CTR that has been used in the calculation of the First Performance Fee, multiplied by the weighted average number of Ordinary Shares in issue during the financial period.

The Second Performance Benchmark will be an amount per share representing 50p per share compounded up to 15.0% per annum from 31 March 2009. If at the end of any financial period of the Company the CTR is in excess of the Second Performance Benchmark, the Second Performance Fee will be calculated as 10.0% of the amount by which such CTR exceeds the higher of the Second Performance Benchmark and the highest previous CTR that has been used in the calculation of the Second Performance Fee multiplied by the weighted average number of Ordinary Shares in issue during the period.

The Performance Fee is structured so that no fee is payable if the CTR decreases. However, the Property Adviser will not be required to repay any previously earned Performance Fee, but no further Performance Fee will be payable until such time as the period on period CTR benchmark has been achieved.

NAPS will be calculated from the audited Consolidated Statement of Financial Position of the Group adjusted to exclude any accrual for any Performance Fee and further adjusted if necessary to reflect the best estimates reasonably available of the market value of the Group's assets and liabilities and the dilution effect of outstanding share options over the shares in the share capital of the Company.

#### *Administrator*

Elysium Fund Management Limited ("Elysium") is entitled to a fee from the Company at a rate of 0.025% per quarter of the net asset value, after adding back the long-term borrowings, of the Group paid quarterly in arrears and subject to a minimum amount of £100,000 in respect of the period from Admission to 31 March 2007 and for each consecutive twelve months thereafter.

The fees payable in respect of the year were:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Management fee	1,050	2,441
Administration fee	174	234

No performance fee was payable in respect of the year (2009: nil).

## Notes to the Consolidated Financial Statements (continued)

### 4. Other operating expenses

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Directors' fees ( <i>note 5</i> )	200	200
Administration fees ( <i>note 3</i> )	174	234
Auditor's remuneration: – audit services	70	124
– other professional services	33	27
Nominated adviser and broker fees	81	32
Registrar fees	17	12
Irrecoverable property costs: – Rental generating	395	345
– Non-rental generating	986	738
Other expenses	493	543
	<b>2,449</b>	<b>2,255</b>

### 5. Directors' fees

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
P Rhodes	70	70
H Stanton	40	40
P Radford	30	30
Q Spicer	30	30
R Barnes	30	30
	<b>200</b>	<b>200</b>

No bonuses or pension payments were paid or were payable on behalf of the Directors.

Details of the Directors' interests in the share capital are set out in the Report of the Directors on page 12.

### 6. Interest payable and similar charges

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Bank loan interest payable	9,397	10,342
Amortisation of bank loan arrangement fees ( <i>note 13</i> )	1,607	55
	<b>11,004</b>	<b>10,397</b>

## 7. Taxation

The Company and its Guernsey-registered subsidiaries have been granted exemption from Guernsey taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and are charged an annual exemption fee of £600 each.

The property subsidiaries are subject to UK income tax on income arising on the property portfolio, after deduction of its debt financing costs and allowable expenses.

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Profit/(loss) before taxation	21,074	(92,122)
Tax losses brought forward	(2,197)	(1,623)
	18,877	(93,745)
At UK statutory income tax rate of 20% (31 March 2009: 20%)	3,775	(18,749)
Income not taxable, including interest receivable, at UK statutory income tax rate of 20% (31 March 2009: 20%)	(7,617)	(65)
Expenditure not allowed for income tax purposes at UK statutory income tax rate of 20% (31 March 2009: 20%)	3,084	18,557
Tax losses carried forward at UK statutory income tax rate of 20% (31 March 2009: 20%)	858	420
Adjustment to prior year	(19)	12
<b>Tax charge for the year</b>	<b>81</b>	<b>175</b>

	31 March 2010 £'000	31 March 2009 £'000
Brought forward	57	157
Tax charge for the year	81	175
Payment on account	(201)	(275)
<b>Balance at year end</b>	<b>(63)</b>	<b>57</b>
<i>Consisting of:</i>		
Taxation debtor	(120)	(35)
Taxation creditor	57	92
<b>Balance at year end</b>	<b>(63)</b>	<b>57</b>

## 8. Profit/(loss) per Ordinary Share

The profit/(loss) per Ordinary Share is based on a profit of £20,993,000 (31 March 2009: loss of £92,297,000) and on a weighted average number of 122,500,002 (31 March 2009: 122,500,002) Ordinary Shares in issue.

The average price of the Ordinary Shares of 7.10p during the year (31 March 2009: 17.51p) was below the exercise price of the Options (exercise price 100.00p). Therefore, in accordance with IAS 33: *Earnings per share*, there is no dilution (31 March 2009: no dilution).

## Notes to the Consolidated Financial Statements (continued)

### 9. Investment property

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<b>Freehold</b>		
At 1 April	142,284	202,785
Refurbishments	350	574
Sale proceeds	(1,761)	–
Unrealised gain/(loss) on revaluation of investment properties	13,166	(61,075)
Realised loss on disposal	(189)	–
At 31 March	153,850	142,284
<b>Leasehold</b>		
At 1 April	31,350	46,980
Refurbishments	340	948
Sale proceeds	(23,436)	–
Unrealised gain/(loss) on revaluation of investment properties	2,413	(16,578)
Realised gain on disposal	5,683	–
At 31 March	16,350	31,350
<b>Total</b>		
At 1 April	173,634	249,765
Refurbishments	690	1,522
Sale proceeds	(25,197)	–
Unrealised gain/(loss) on revaluation of investment properties	15,579	(77,653)
Realised gain on disposal	5,494	–
<b>At 31 March</b>	<b>170,200</b>	<b>173,634</b>

At the year end £20,500,000 (31 March 2009: £16,700,000) of the property was held through two Jersey Property Unit Trusts, where control of the financial and operating policies, in order to obtain economic benefit, remain with the Group.

The properties were valued by CB Richard Ellis ("CBRE"), international property advisers, at open market value as at 31 March 2010 in accordance with the latest edition of the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual and have been primarily derived using comparable recent market transactions on arms length terms.

CBRE made various assumptions regarding tenure, letting, town planning and the condition and repair of buildings in the valuation process, and also relied upon certain pieces of information provided to them by the Group or its Advisers.

Capital growth for the portfolio over the year, as calculated by IPD (taking into account sales), was 12.6%. The Board considers it unlikely that the value of investment properties will change significantly in the next financial year. However, a movement in investment property values of 10% would result in a movement in net asset value of approximately £17 million, assuming all other factors remain constant.

A decrease in investment property values of approximately 8% would result in the Group returning to a negative net asset value position, assuming all other factors remain constant. However, the Board does not expect the values of the investment properties to decrease in the next financial year.

## 10. Investments in subsidiary undertakings

Details of the investments in the wholly-owned, Guernsey-registered (except where indicated) subsidiary undertakings held by the Company at 31 March 2010 were as follows:

O Twelve Barking Limited	Property investment
O Twelve Baytree Limited	Property investment
O Twelve Beckton Limited	Property investment
O Twelve Dagenham Limited	Property investment
O Twelve Gascoigne (1) Limited	Property investment <sup>[2]</sup>
O Twelve Gascoigne (2) Limited	Property investment <sup>[2]</sup>
O Twelve George Yard Limited	Property investment
O Twelve Grove Farm Limited	Property investment
O Twelve Ingrave Limited	Property investment
O Twelve Larkfield Limited	Property investment
O Twelve NBS Limited	Holding company
O Twelve Pedham Limited	Property investment
O Twelve Properties Limited <sup>[1]</sup>	Dormant
O Twelve Queensgate Limited	Property investment
O Twelve Redwing Limited	Property investment
O Twelve Salway Limited	Property investment
O Twelve Stonehill Limited	Property investment
O Twelve Weston (1) Limited	Property investment <sup>[2]</sup>
O Twelve Weston (2) Limited	Property investment <sup>[2]</sup>
Solar House Limited	Property investment
Tabletop Estates Limited <sup>[1]</sup>	Dormant

As at 31 March 2010 O Twelve Properties Limited and O Twelve NBS Limited are directly owned by the Company and Tabletop Estates Limited is wholly-owned by O Twelve Redwing Limited. All other companies are wholly-owned by O Twelve NBS Limited.

<sup>[1]</sup> Incorporated and registered in the United Kingdom.

<sup>[2]</sup> Invest in property via a Jersey Property Unit Trust.

## 11. Receivables and prepayments

	31 March 2010 £'000	31 March 2009 £'000
Rent due	2,743	3,061
Due from agents	1,537	1,265
Recoverable property costs	571	545
Taxation debtor	120	35
VAT recoverable	14	12
Deposits with solicitors	7	38
Other receivables and prepayments	153	425
	<b>5,145</b>	<b>5,381</b>

In the opinion of the Directors, all receivables and prepayments are recoverable at the stated value.

## Notes to the Consolidated Financial Statements (continued)

### 12. Payables and accruals

	31 March 2010 £'000	31 March 2009 £'000
Rent received in advance	2,558	2,905
Interest payable	1,742	1,642
Taxation creditor	57	92
VAT payable	622	609
Property refurbishments accrued	144	148
Other payables and accruals	1,013	1,058
	<b>6,136</b>	<b>6,454</b>

### 13. Bank Loan

On 20 December 2006 the Group entered into an eight year £150 million Loan Facility Agreement with Nationwide Building Society for the purpose of acquiring and refinancing the Group's property portfolio in England. On 12 June 2007 the loan facility was increased to £250 million. On 24 November 2008 the undrawn balance of the facility was cancelled. At 31 March 2009 the loan facility and the principal outstanding was £170 million.

During the year ended 31 March 2010, the Group repaid £25.3 million of the loan. Therefore, at the year end the loan principal outstanding was £144.7 million.

During the year the loan facility incurred interest at fixed rates on £138 million until 30 March 2010 and on £115 million thereafter (see below) and, until the financial restructuring on 14 October 2009, the remainder of the facility incurred interest at the aggregate of LIBOR plus:

- 0.625% per annum if the principal amount of the loan was equal to or greater than 60% but less than or equal to 65% of the aggregate market values of the properties, as indicated in the independent valuations; and
- 0.60% per annum if the principal amount of the loan is less than 60% of the aggregate market values of the properties, as indicated in the independent valuations.

Following the completion of the Financial Restructuring on 14 October 2009, the following terms have applied:

- The term of the facility until December 2014 is unchanged;
- The facility will reduce from £170 million to £140 million on 31 March 2011;
- The interest margin over LIBOR increased from 0.65% per annum to 1.25% per annum;
- An arrangement fee of £850,000 was paid on signing;
- A fee of £5,950,000 will be payable on final repayment of the facility (the "back end fee");
- The ratio of the loan-to-value of the properties ("LTV") will not be tested until the Lenders receive the portfolio valuation as at 31 March 2011, at which time the LTV must not exceed 85%, reducing to 80% from 31 March 2012 and 75% from 31 March 2013;
- The minimum interest cover ratio is 115% until 31 March 2011 (provided that if rent free periods were treated as rent passing the ratio would be at least 120%) increasing to 120% thereafter; and
- Cash lock up will continue until the LTV is 70% or less. However, after deducting finance costs, direct property outgoings and RAM's fees, the Lenders allow the Group to receive up to £400,000 per quarter to cover overheads, tax and other property expenses.

As at 31 March 2009, and throughout the year to 31 March 2010, the principal amount of the loan drawn down (less the aggregate of any balances standing to the credit of any cash collateral account, disposal proceeds holding account or security substitution account) exceeded 70% of the sum of the aggregate market values of the properties. Therefore, the excess of rental income over finance costs has been paid into a cash collateral account held with Nationwide which is not currently available for the general purposes of the Group. The balance in this account as at 31 March 2010 was £164,000 (2009: £1,538,000) which has been designated as a non-current asset in the Consolidated Statement of Financial Position, together with £1,741,000 (2009: £1,521,000) being an amount held as part of the Property Adviser's client account at the year end date which was due to be transferred into the cash collateral account.

The Property Adviser continues to monitor the loan covenants and reports to Nationwide Building Society quarterly.

Several Security Interest Agreements, creating security interests over the shareholdings in some of the property holding subsidiaries, have been entered into by the Group and Nationwide Building Society.

In previous years, the Group entered into fixed rate Loan Agreements with Nationwide Building Society for £138 million for periods of up to eight years expiring 20 December 2014 at an average rate excluding margin of 5.5% per annum. On 30 March 2010, a £23 million tranche of fixed rate loan was cancelled at a break cost of £3,691,000. The average rate, excluding margin and fees, on £115 million of fixed rate debt as at 31 March 2010 was 5.3% per annum (31 March 2009: 5.5% per annum). As at 31 March 2010, the fair value of the interest rate swap was a liability of £14,599,500 (31 March 2009: liability of £18,245,400).

The bank loan initial arrangement fees amounted to £425,000 which, together with the Financing Restructuring arrangement fee of £850,000 and back end fee of £5,950,000 totals £7,225,000. This amount has been deducted from the amount of the loan and is being amortised over the period of the loan.

	31 March 2010 £'000	31 March 2009 £'000
Loan principal outstanding	144,698	170,000
Accrued back-end fee	5,950	–
Loan arrangement and back-end fees	(7,225)	(425)
Amortisation of loan arrangement fees	1,716	109
	<hr/> 145,139	<hr/> 169,684
Fair value of interest rate swap	14,600	18,246
	<hr/> <b>159,739</b>	<hr/> <b>187,930</b>
<i>Designated in the Statement of Financial Position as:</i>		
Current liabilities	–	187,930
Non-current liabilities	159,739	–
	<hr/> <b>159,739</b>	<hr/> <b>187,930</b>

As at 31 March 2009, the Group was in breach of the LTV covenant. Therefore, in accordance with IAS 1: Presentation of Financial Statements, the borrowings were designated as a current liability. However, as the Financial Restructuring was completed during the year the borrowings have been designated as a non-current liability as at 31 March 2010.

Taking into account the existing fixed rate debt of £115 million (2009: £138 million), and assuming three month Libor at 0.70% per annum (2009: 1.26% per annum), the blended cost of debt, including margin and fees, as at 31 March 2010 is approximately 6.4% per annum (2009: 6.8% per annum).

## Notes to the Consolidated Financial Statements (continued)

### 14. Share capital

	31 March 2010 £'000	31 March 2009 £'000
<b>Authorised:</b>		
200,000,000 Ordinary Shares of 1p each	2,000	2,000
<b>Issued and fully paid:</b>		
122,500,002 Ordinary Shares of 1p each	1,225	1,225

The Company has the authority to utilise the other reserves to buy back up to 14.99% of the Ordinary Shares in issue for cancellation. No shares were purchased for cancellation during the year (31 March 2009: nil). However, the Company intends to seek to renew the necessary authority to buy back Ordinary Shares at the forthcoming Annual General Meeting.

In addition, the Company has authority to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares. No shares were purchased to be held as Treasury Shares during the year (31 March 2009: nil).

### 15. Other reserves

Other reserves consist of a transfer of £115,925,000 from the share premium account, following approval from the Royal Court in Guernsey on 25 January 2008, and retained earnings.

From 1 July 2008, and pursuant to The Companies (Guernsey) Law, 2008, as amended, all reserves can be designated as distributable.

### 16. Duration of the Company

There are no specific provisions for the life span of the Company although the Directors estimate it to be up to twelve years.

At the Annual General Meeting of the Company to be held in 2014, a special resolution shall be proposed that the Company ceases to continue as an investment company. If that resolution is passed, the Directors are required to formulate proposals to put to Shareholders to reorganise, unitise or reconstruct the Company or to wind up the Company. If the resolution to cease being an investment company is not passed, a similar resolution will be proposed at every second Annual General Meeting thereafter.

## 17. Net asset/(liability) value per Ordinary Share

### *Basic*

The net asset/(liability) per Ordinary Share is based on the net assets attributable to owners of the Company of £13,611,000 (31 March 2009: net liabilities of £7,382,000) and on 122,500,002 (31 March 2009: 122,500,002) Ordinary Shares in issue at the end of the year.

### *Diluted*

The 31 March 2010 price of the Ordinary Shares of 9.13p (31 March 2009: 3.50p) was below the exercise price of the Options (exercise price of 100.00p). Therefore, at 31 March 2010, there was no dilution (31 March 2009: no dilution).

## 18. Commitments and contingencies

	31 March 2010 £'000	31 March 2009 £'000
<i>Operating lease commitments from lessees</i>		
Not later than one year	11,192	13,164
After one year but no more than five years	35,062	42,262
After five years	26,046	39,035
	<b>72,300</b>	<b>94,461</b>

There were no contracted capital commitments as at 31 March 2010.

## 19. Share option

An Option Agreement was entered into on 22 March 2006 between the Company and Collins Stewart Europe Limited ("CSEL") under which the Company granted CSEL the right to subscribe for up to 1,225,000 Ordinary Shares at the Placing Price of 100.00p, such option being exercisable at any time up to and including the fifth anniversary of the date of grant. During the year ended 31 March 2010, the option to subscribe for Ordinary Shares was not taken up by CSEL.

## 20. Segmental information

In accordance with IFRS 8: *Operating Segments*, it is mandatory for the Group to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

The Board has organised the Group by investment property sector, being offices, residential property, retail property and industrial property. These sectors have remained unchanged from the previous financial year.

Guernsey is the "corporate headquarters" of the Group and is thus not deemed to be a separate segment; it invests in the investment property holding companies through a wholly-owned subsidiary, receives bank interest and incurs administration and other expenses.

## Notes to the Consolidated Financial Statements (continued)

### 20. Segmental information (continued)

Information about reportable segments for the year ended 31 March 2010

	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Total £'000
Unrealised (loss)/gain on revaluation of investment properties	(1,682)	250	11,488	5,523	15,579
Realised (loss)/gain from sale of investment property	(189)	–	–	5,683	5,494
Rent receivable	2,869	421	5,999	5,221	14,510
Other interest	12	–	–	–	12
Service charges receivable	1,217	–	1,398	579	3,194
Service charges payable	(1,217)	–	(1,398)	(579)	(3,194)
Management fees	(200)	(51)	(377)	(422)	(1,050)
Other operating expenses	(135)	(140)	(470)	(884)	(1,629)
Taxation	(46)	–	(18)	(17)	(81)
Reportable segment profit/(loss) <sup>[1]</sup>	629	480	16,622	15,104	32,835
Investment property	30,380	7,550	73,890	58,380	170,200
Reportable segment total assets <sup>[2]</sup>	30,876	7,590	75,936	60,888	175,290
Reportable segment total liabilities <sup>[3]</sup>	(640)	(54)	(1,844)	(1,447)	(3,985)

Information about reportable segments for the year ended 31 March 2009

	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Total £'000
Unrealised loss on revaluation of investment properties	(11,446)	(1,244)	(33,577)	(31,386)	(77,653)
Rent receivable	2,800	423	5,653	5,413	14,289
Other interest	–	–	4	24	28
Service charges receivable	1,569	–	1,490	550	3,609
Service charges payable	(1,569)	–	(1,490)	(550)	(3,609)
Management fees	(458)	(102)	(918)	(963)	(2,441)
Other operating expenses	(210)	(149)	(273)	(609)	(1,241)
Taxation	(39)	(1)	(62)	(73)	(175)
Reportable segment loss <sup>[1]</sup>	(9,353)	(1,073)	(29,173)	(27,594)	(67,193)
Investment property	34,004	7,300	62,340	69,990	173,634
Reportable segment total assets <sup>[2]</sup>	34,596	7,342	64,393	72,611	178,942
Reportable segment total liabilities <sup>[3]</sup>	(818)	(55)	(2,091)	(1,625)	(4,589)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<i><sup>(1)</sup> Reconciliation of reportable segment profit/(loss)</i>		
Total profit/(loss) for reportable segments	32,835	(67,193)
Bank interest	27	292
Other interest	–	4
Administration fees	(174)	(234)
Other operating expenses	(646)	(780)
Net losses on interest rate swap	(45)	(13,989)
Interest payable and similar charges	(11,004)	(10,397)
Total comprehensive profit/(loss) for the year attributable to the owners of the Company	20,993	(92,297)
<i><sup>(2)</sup> Reconciliation of reportable segment total assets</i>		
Total assets for reportable segments	175,290	178,942
Restricted cash and cash equivalents	1,905	3,059
Cash and cash equivalents	2,236	4,928
Other receivables and prepayments	55	73
Consolidated total assets	179,486	187,002
<i><sup>(3)</sup> Reconciliation of reportable segment total liabilities</i>		
Total liabilities for reportable segments	(3,985)	(4,589)
Other payables and accruals	(2,151)	(1,865)
Bank loan	(145,139)	(169,684)
Fair value of interest rate swap	(14,600)	(18,246)
Consolidated total liabilities	(165,875)	(194,384)

## 21. Related parties

The relationships between the Group and RAM are disclosed in note 3. All of the transactions between the parties were performed on terms equivalent to those that prevail in an arms length transaction.

At the year end, £375,712 (31 March 2009: £574,389) was payable to RAM in respect of management fees.

The Directors are not aware of any ultimate controlling party.

## 22. Derivatives and other financial instruments

### *Treasury policies*

The objective of the Group's treasury policies is to manage the Group's financial risk, secure cost effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on cash flows of the Group.

The Group finances its activities with a combination of bank loans, cash and short-term deposits. Other financial assets and liabilities, such as trade debtors and creditors, arise directly from the Group's operating activities. The Group may also enter into derivative transactions, principally interest rate swaps, to manage the interest rate risk arising from the Group's operations and its sources of finance. The Group does not trade in financial instruments. The main risks associated with the Group's financial assets and liabilities are set out below, together with the policies currently applied by the Board for their management. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Group's treasury policies.

## Notes to the Consolidated Financial Statements (continued)

### 22. Derivatives and other financial instruments (continued)

#### *Fair value*

In the opinion of the Directors, the carrying amounts of financial assets and financial liabilities are a reasonable approximation of their fair value.

#### *Financial instrument risks*

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Board reviews and agrees policies for managing the Group's risk exposure and monitors the Group's overall market position on a regular basis. The Group's overall risk management policy focuses on the unpredictability of financial and property markets and seeks to minimise potential adverse effects on the Group's financial performance. The policies adopted to deal with these risks and the strategies utilised to manage these risks are set out below.

#### *Market risk*

##### *Interest rate risk*

The Group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. The fixed rate interest-bearing debt is not exposed to cash flow interest rate risk. However, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk of fixed rate borrowing means that the Group is exposed to unplanned cash costs should debt be restructured or repaid early (see note 13). In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risks as costs increase if market interest rates rise.

The Group's borrowings are under a £144.7 million loan facility with Nationwide Building Society. The loan carries interest at a margin of up to 1.25% per annum. Of the total amount drawn, £115.0 million (79%) is fixed until December 2014, at an average rate excluding margin of 5.3% per annum. The balance is at a floating rate. Taking the average three month LIBOR for the year ended 31 March 2010 of 0.84%, the blended average rate payable on floating rate borrowings was 2.09% per annum (31 March 2009: 5.82% per annum).

The range between the high and low of the three month LIBOR during the year ended 31 March 2010 was approximately 1.09%. There is currently no clear indication as to when interest rates will start to rise, however, some commentators believe that rates will increase during the next financial year.

If rates increased by 1% from the year end rate, the maximum potential increase in interest (based on the £29.7 million floating element of the loan) would be £297,000 (2.2% of net assets at 31 March 2010). The maximum potential decrease in interest, assuming the three month LIBOR rate fell to 0%, would be £192,000 (1.4% of net assets at 31 March 2010), assuming all other factors remain constant.

If rates increased by 1% from the year end rate, the interest rate swap value would increase by approximately £5,200,000 (38.2% of net assets at 31 March 2010). The maximum potential decrease in value, assuming UK interest base rate fell to 0%, would be approximately £2,600,000 (19.1% of net assets at 31 March 2010), assuming all other factors remained constant.

Cash and cash equivalents of £4.1 million (2009: £8.0 million) are also exposed to movements in interest rates. However, the income/expense generated from cash and cash equivalents is not currently considered to be material and therefore a movement in interest rates would not have a material financial impact on the Group.

#### *Credit risk*

Credit risk is the risk of financial loss due to a counterparty's failure to honour its financial obligations to the Group. The Group's credit risk is principally attributable to cash and cash equivalents, rent due from tenants and amounts due from agents. The amounts shown in the Consolidated Statement of Financial Position in respect of receivables are net of allowances for doubtful debts based on the Property Adviser's expectations and known commercial issues. The carrying amounts of financial assets best represent the maximum credit risk exposure as at the year end date, as below.

	31 March 2010 £'000	31 March 2009 £'000
Cash and cash equivalents	4,141	7,987
Receivables in connection with property leases	4,851	4,871
Receivables in connection with property transactions	7	38
	<b>8,999</b>	<b>12,896</b>

Tenant rent payments are monitored regularly and appropriate action is taken to recover monies owed or if necessary to terminate the lease. Deferred consideration terms are only agreed with counterparties approved by the Board or where some additional security is available. Funds may be invested and derivative transactions contracted only with banks and financial institutions with a high credit rating.

The Property Adviser believes that tenants of undoubted or "national" standard account for 83% of the contracted rent while smaller regional and local companies account for 17% of the contracted rent.

The Group's bankers have been allocated the following ratings by Moody's:

Bank of Scotland – A1	HSBC – Aa2
Barclays – A1	Nationwide Building Society – Aa3

As at the year end date the Directors considered all of the receivables to be recoverable, and current relative to the credit terms of the Group.

#### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective of ensuring that adequate funding is in place is achieved by management of its capital raised to ensure that the Company and its Subsidiaries have sufficient cash on demand to meet expected operational expenses. The management of capital encompasses the review of cash flows to ensure that the Group has sufficient funding to meet its commitments as they fall due.

The Group has invested in investment properties, which, by their very nature, are illiquid.

With the exception of the bank loan and the related interest rate swap, the financial liabilities of the Group were repayable on demand.

The interest rate swap, which had a fair value at the year end date of £14.6 million (2009: £18.2 million), would only become payable should any fixed element of the bank loan be repaid early. In accordance with IFRS 7: Financial Instruments: Disclosures, the interest rate swap has been categorised as level 2 in the fair value hierarchy. During the year there have been no transfers between levels (2009: none).

The maturity analysis below allocates financial liabilities to the earliest period that the Group can be reasonably required to pay. However, the Group can manage the liquidity risk by paying some of its liabilities later than the earliest date required, but within any imposed credit terms.

## Notes to the Consolidated Financial Statements (continued)

### 22. Derivatives and other financial instruments (continued)

#### Liquidity risk (continued)

	Total £'000	Not later than one month £'000	Later than one month and not later than one year £'000	Later than one year and not later than five years £'000	N/A £'000
<i>Maturity analysis for financial liabilities as at 31 March 2010</i>					
Trade and other payables	44,193	5,457	8,155	30,581	–
Secured loan	144,698	–	4,698	140,000	–
Arrangement and back end fees <sup>(1)</sup>	441	–	–	5,950	(5,509)
Interest rate swap	14,600	–	–	14,600	–
<b>Total</b>	<b>203,932</b>	<b>5,457</b>	<b>12,853</b>	<b>191,131</b>	<b>(5,509)</b>

<sup>(1)</sup> £5,950,000 back end fee accrued as at 31 March 2010 payable in December 2014, of which £4,625,000 was unamortised at the year end.

	Total £'000	Not later than one month £'000	Later than one month and not later than one year £'000	Later than one year and not later than five years £'000	N/A £'000
<i>Maturity analysis for financial liabilities as at 31 March 2009</i>					
Trade and other payables	53,886	5,753	9,397	38,736	–
Secured loan	170,000	–	170,000	–	–
Arrangement and back end fees	(316)	–	–	–	(316)
Interest rate swap	18,246	–	–	18,246	–
<b>Total</b>	<b>241,816</b>	<b>5,753</b>	<b>179,397</b>	<b>56,982</b>	<b>(316)</b>

### 23. Capital management policy and procedures

The Group's capital (consisting of issued shares and other reserves) management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise its total return primarily through the capital appreciation of its investments.

The Board, with the assistance of the Property Adviser, monitors and reviews the structure of the Company's capital on an ad hoc basis. This review includes:

- the current and future levels of gearing;
- the terms of the Group's borrowing facilities;
- cash flow projections for the Group;
- the working capital requirements of the Group;
- consideration of potential purchase of equity shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per share and the share price; and
- current and future dividend policy.

The Company's objectives, policies and processes for managing capital remain unchanged from the previous year.

As at 31 March 2010 the Company had a bank loan of £144.7 million (2009: £170 million). In addition, if the loan were to be repaid at the year end date, fixed rate break costs of £14.6 million (2009: £18 million) would be payable.

As disclosed in the Consolidated Statement of Financial Position the total amount attributable to owners of the Company at 31 March 2010 was £13,611,000 (2009: £(7,382,000)).

The Group is not subject to any externally imposed capital requirements.

#### **24. Events after the reporting period**

There were no material events after the reporting period that require disclosure as at 13 July 2010.

# O TWELVE ESTATES LIMITED

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fourth ANNUAL GENERAL MEETING of O TWELVE ESTATES LIMITED will be held at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 27 August 2010 at 10.30am for the following purposes:

### Resolution on Form of Proxy

#### As ordinary business:

##### Ordinary Resolution 1

To receive and, if thought fit, to accept the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2010.

##### Ordinary Resolution 2

To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to agree their remuneration.

##### Ordinary Resolution 3

To re-elect Mr Stanton, who offers himself for re-election, as a Director.

##### Ordinary Resolution 4

To re-elect Mr Spicer, who offers himself for re-election, as a Director.

#### As special business:

##### Ordinary Resolution 5

That the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of The Companies (Guernsey) Law 2008, as amended, to make market purchases, as defined in that Law, of and cancel its Ordinary Shares of 1p each, provided that:

- (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 18,362,750;
- (ii) the minimum price which may be paid for an Ordinary Share shall be 1p;
- (iii) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from and calculated by reference to the London Stock Exchange Alternative Investment Market Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;
- (iv) the price paid per Ordinary Share shall be less than the net asset value per Ordinary Share;
- (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2011, unless the authority is renewed prior to such time; and
- (vi) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

Registered office:

No. 1 Le Truchot

St Peter Port

Guernsey

GY1 3JX

13 July 2010

**Elysium Fund Management Limited**, Secretary

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Company. To be effective, forms of proxy must be lodged with the Company's Secretary, Elysium Fund Management Limited, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

Note:

The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

- a) A statement of Directors' interests in the share capital of the Company; and
- b) The Articles of Incorporation.

# O TWELVE ESTATES LIMITED

## Form of Proxy

For use at the ANNUAL GENERAL MEETING (Block capitals please)

I/We, the undersigned, .....

Of .....

being a member/members of O Twelve Estates Limited, hereby appoint the Chairman of the meeting/

.....  
 as my/our proxy to vote for me/us on my/our behalf at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 27 August 2010 at 10:30am and at any adjournment thereof and at his discretion on any other matter arising at such meeting.

Signature .....

Dated .....

Please indicate with an X in the spaces below how you wish your votes to be cast.

		For	Against	Abstain
Ordinary Resolution 1	To receive and, if thought fit, to adopt the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2010.			
Ordinary Resolution 2	To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to agree their remuneration.			
Ordinary Resolution 3	To re-elect Mr Stanton, who offers himself for re-election as a Director.			
Ordinary Resolution 4	To re-elect Mr Spicer, who offers himself for re-election as a Director.			
Ordinary Resolution 5	To authorise the Company to buy back its own shares.			

### Notes

1. A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words 'the Chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Secretary not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

Third fold and tuck in

Affix  
stamp  
here

Elysium Fund Management Limited  
PO Box 650  
No. 1 Le Truchot  
St Peter Port  
Guernsey, GY1 3JX

First Fold

Second fold

## Directors

Phillip Rhodes (*Chairman*)

Howard Stanton

Peter Radford

Quentin Spicer

Richard Barnes



## Advisers

### Property Adviser

Rugby Asset Management Limited  
4 Farm Street  
Mayfair  
London  
W1J 5RD

### Registrar

Capita Registrars (Guernsey) Limited  
Longue Hougue House  
St Sampson  
Guernsey  
GY2 4JN

### English Legal Adviser to the Company

Nabarro  
Lacon House  
84 Theobald's Road  
London  
WC1X 8RW

### Guernsey Legal Adviser to the Company

Mourant Ozannes  
1 Le Marchant Street  
St Peter Port  
Guernsey  
GY1 4HP

### Financial PR Consultants

Financial Dynamics  
Holborn Gate  
Southampton Buildings  
London  
WC2A 1PB

### Administrator, Secretary, and Registered Office

Elysium Fund Management Limited  
No. 1 Le Truchot  
St Peter Port  
Guernsey  
GY1 3JX

### Nominated Adviser and Broker

Fairfax I.S. PLC  
46 Berkeley Square  
Mayfair  
London  
W1J 5AT

### Auditors

Ernst & Young LLP  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 4AF

### Valuers

CB Richard Ellis  
Kingsley House  
Wimpole Street  
London  
WC2A 1PB

### Bankers

Nationwide Building Society  
Kings Park Road  
Moulton Park  
Northampton  
NN3 6NW

HSBC Bank PLC  
13 High Street  
St Peter Port  
Guernsey  
GY1 3AT



O Twelve Estates Limited  
No. 1 Le Truchot  
St Peter Port  
Guernsey  
GY1 3JX

Tel: 01481 810100  
Fax: 01481 810120  
Email: [elysium@elysiumfundman.com](mailto:elysium@elysiumfundman.com)