



Unaudited Interim Report and Financial Statements

For the period ended 30 September 2006



Property investment opportunities in Southeast England

Investment Objective

The Company's objective is to provide Shareholders with capital growth from investing in a portfolio of properties in Thames Gateway and the adjacent areas of East London, Essex, South Hertfordshire and North Kent.

Contents

- 01 Chairman's Statement
- 03 Property Adviser's Report
- 06 Consolidated Income Statement
- 06 Statement of Changes in Equity
- 07 Consolidated Balance Sheet
- 08 Consolidated Cash Flow Statement
- 09 Notes to the Interim Financial Statements
- 14 Directors
- 15 Advisers



A closed-ended investment company, incorporated under The Companies (Guernsey) Laws 1994 to 1996, as amended.

REGISTERED IN GUERNSEY No. 44444

Chairman's Statement

I am pleased to present the maiden Interim Report and Financial Statements of the Company for the period ended 30 September 2006.

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 122,500,000 Ordinary Shares of 1p each at 100.00p each with the Ordinary Shares being admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The Company's objective is to buy properties in less expensive parts of Southeast England around London. It is specifically expected that the Company will benefit from the regeneration in and around Stratford in East London, where the Olympic Games in 2012 will be centred.

As detailed in the statements below, we have made extremely strong progress and, during the period to 30 September 2006, succeeded in investing 56% of the proceeds raised during the Company's Admission. Since the period end, we have made further investments, with the result that 77% of the proceeds have now been utilised, with a number of other deals already in solicitors' hands.

Results

The Group achieved a net gain for the period to 30 September 2006 of £2,641,223, representing a gain per Ordinary Share of 2.16p. The consolidated net asset value at 30 September 2006 was £119,791,862 (97.79p per Ordinary Share).

The current focus of the Group is the delivery of capital growth for Shareholders and your Board will carefully consider the dividend policy in the early stages as the portfolio is built towards that end. Due to the bank interest received from the funds awaiting investment in properties, your Board considers it appropriate to declare an interim dividend for the period ending 31 March 2007 of 0.50p per Ordinary Share.

Property

The Group acquired eight properties during the period at a cost, including acquisition expenses, of £68.4 million. The properties were independently valued at £68.8 million as at 30 September 2006. Since the period end two more properties have been acquired, at a cost of £26 million, and a number of other acquisitions are currently under negotiation. Further details of the properties are given in the Property Adviser's Report on pages 3 to 5.

Financing

The Group is arranging a loan facility, which will be used to acquire a number of additional properties, some of which are currently under negotiation.

Chairman's Statement (continued)

Prospects

The Board and the Property Adviser are pleased with the number and quality of the investments made in the initial period of the Company's life and believe that is strongly positioned to continue to meet its investment objectives. We remain confident that the Company will be fully invested by the end of the 2007 calendar year and look forward to the future with great optimism.

P B Rhodes

Chairman

15 December 2006

Property Adviser's Report

Rugby Asset Management Limited ("RAM"), a member of the Rugby Estates Plc group, was appointed Property Adviser to O Twelve Estates on its admission to AIM on 27 March 2006. Our role is to identify and negotiate acquisitions and to deal on a day to day basis with all aspects of assembling, managing and financing O Twelve's property portfolio.

We are pleased to report a successful start in establishing a substantial property investment portfolio in the Target Area of the Thames Gateway and the adjacent areas of East London, Essex, South Hertfordshire and North Kent. O Twelve's objective is to build up a portfolio which is diversified by sector, tenant and lot size. The key criterion for property acquisitions is the potential for rental and capital value growth.

It is our belief that substantial rental and capital value growth in the Target Area over the next few years will be stimulated by the regeneration initiatives and investment, both public and private, planned particularly for the area around Stratford in East London and the Thames Gateway generally. The Olympic Games in 2012 is a catalyst for these improvements.

During the period, the Group has acquired eight properties at a cost, including acquisition expenses, of £68.4 million. We are pleased to report that, in the short time of ownership of most of the properties, Stamp Duty Land Tax and other purchase costs have been more than recovered as these properties were valued by CB Richard Ellis as at 30 September 2006 at £68.8 million. The aggregate passing rental income on these properties is currently £3.4 million, with an Expected Rental Value of £4.6 million after incurring additional capital expenditure of approximately £2.5 million on Redwing Court.

Portfolio at 30 September 2006

Property	Type	Valuation Band at 30 September 2006 £ m
Bakers Court, Basildon	Industrial	5 - 10
Barratt Industrial Estate, Bow	Industrial	5 - 10
Unit B, Gascoigne Road, Barking	Distribution warehousing	10 - 15
Unit Q, QED, Thurrock	Distribution warehousing	10 - 15
Redwing Court, Romford	Office development	0 - 5
Salway Place, Stratford	Residential	5 - 10
Solar House, Stratford	Office	10 - 15
Unit 1, Western Avenue, Thurrock	Distribution warehousing	10 - 15

Property Adviser's Report (continued)

Bakers Court Industrial Estate is a former bakery constructed in the mid 1960s and subsequently divided to form approximately 93,000 sq ft of individual self-contained units which is occupied by 24 tenants. The estate is located in an established industrial area approximately 1.5 miles east of Basildon town centre on the A132 Southend arterial road.

Barratt Industrial Estate is a small unit estate located adjacent to the A12 and within 1.5 miles of the site for the Olympic Games. The estate dates from the 1980s and comprises nine units of 2,500 – 3,000 sq ft let to eight tenants.

Unit B, Gascoigne Road is a state of the art distribution facility of 97,000 sq ft in a strategic distribution location fronting onto the A13 some 600 yards from its junction with the North Circular (A406). The property is let to Moss Bros plc until at least 2011.

Unit Q, Queen Elizabeth Distribution Centre is a recently built distribution warehouse of 112,000 sq ft situated on the Purfleet bypass close to the Dartford river crossing with junction 30/31 on the M25 motorway within one mile to the east and the recently improved A13 within a mile to the west. The building is being divided into two 56,000 sq ft units, one of which has been let to Harrow Green Group until 2021 and the other is being marketed for letting.

Redwing Court comprises two adjacent two-storey office blocks with considerable parking and is part of the Harold Hill Business Estate located just off the A12, close to its junction with A127, approximately 2.5 miles from Romford town centre. The property was acquired with vacant possession and will be refurbished, split into smaller units and let.

Salway Place is a recently constructed seven storey block of 38 flats located in the centre of Stratford. All of the flats are let on assured shorthold tenancies on a part furnished basis. The units provide a mix of studio, one and two bedroom apartments with 29 of the units benefiting from either a private balcony or terrace.

Solar House is a six storey office building located in the heart of Stratford. Constructed in the early 1980s, the building comprises 49,000 sq ft of accommodation and is fully let to four tenants. Opportunities for redevelopment on expiry of the existing leases in 2010 are being explored.

Unit 1, Western Avenue is a high specification distribution warehouse of 110,000 sq ft located at junction 31 of the M25 and adjoining Thurrock Retail Park and the Lakeside Shopping Centre. The proximity of the M25, A13 and Dartford river crossing has established West Thurrock as a popular location for distribution. It is let to a subsidiary of Media Square Plc until 2021.

Properties acquired since 30 September 2006

Since 30 September a further £26 million has been committed to the purchase of two properties.

Mellon House, Brentwood has been acquired at a purchase price of £11 million plus acquisition costs. This office building is let to Mellon Bank until 2013 and comprises 46,000 sq ft arranged over two floors, with 113 car parking spaces.

Queensgate, Waltham Cross has been purchased for just over £14 million plus costs. This property comprises three, two-storey detached modern office buildings within a self contained business park constructed in 1990, and is let to nine tenants.

These purchases take OTwelve Estate's total acquisitions since launch to over £90 million, and we expect to announce further purchases in the near future. A number of further significant acquisitions are currently in solicitors' hands and under negotiation. Loan facilities are being arranged to enable the growth of the portfolio once the proceeds of the initial equity-raising have been fully committed.

Going forward

We are pleased to have acquired what we believe to be the foundation of a high quality and diverse portfolio of properties for O Twelve Estates. The properties purchased so far we consider offer excellent prospects for rental and capital value enhancement over the next few years. We are confident of being able to continue to source further acquisitions with similar prospects.

The Company has already established itself with its Target Area and is therefore well placed, despite market pressures, to achieve its aim of investing the initial equity by the end of this calendar year. It is on course to expand the portfolio substantially in the first quarter of 2007, our goal continuing to have O Twelve Estates fully invested by the end of the 2007 calendar year, and probably before.

Our belief in the opportunity and potential in the Target Area remains strong. Under the guidance of the Department for Communities and Local Government, an extensive programme of investment and regeneration and infrastructure improvements is under way which will transform the Thames Gateway and surrounding areas over the next ten years. Together these initiatives represent the largest regeneration project in Western Europe.

East London in particular is an exciting area for considerable investment and growth. The Target Area includes 13 of London's easterly boroughs, where one third of the capital's population growth and 40% of its employment growth is expected by 2016. With the rise of Canary Wharf as the new City, and the Olympics acting as catalyst for much of the area's improvements, we continue to believe that now is the right time to be investing here so as to enjoy the value enhancements in the run up to 2012.

David Tye
Andrew Wilson

Rugby Asset Management Limited

15 December 2006

Consolidated Income Statement

for the period from 1 March 2006 to 30 September 2006 (unaudited)

	<i>Note</i>	1 March 2006 to 30 September 2006 £'000
Income		
Rent receivable		787
Bank interest		2,049
Total income		2,836
Expenses		
Administration fees		(61)
Management fees		(159)
Other operating expenses	3	(300)
Total expenses		(520)
Profit before investment result		2,316
Investment gain		
Unrealised gain on revaluation of investment properties	5	326
Profit for the period		2,642
Earnings per share – basic and diluted	4	2.16p

Statement of Changes in Equity

for the period from 1 March 2006 to 30 September 2006 (unaudited)

	<i>Note</i>	Share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Proceeds of placing	7	1,225	115,925	–	117,150
Profit for the period		–	–	2,642	2,642
Net assets at 30 September 2006		1,225	115,925	2,642	119,792

The accompanying notes on pages 9 to 13 form an integral part of these unaudited interim financial statements. These financial statements are unaudited and are not the Group's statutory financial statements.

Consolidated Balance Sheet

as at 30 September 2006 (unaudited)

	Note	30 September 2006 £'000
Non-current assets		
Freehold investment property	5	68,769
Current assets		
Cash and cash equivalents		56,306
Debtors		2,335
		58,641
Total assets		127,410
Current liabilities		
Creditors and accruals	6	(7,618)
Net assets		119,792
Capital and reserves		
Called-up share capital	7	1,225
Share premium		115,925
Other reserves		2,642
Total equity shareholders' funds		119,792
Net Asset Value per Ordinary Share	8	97.79p

The accompanying notes on pages 9 to 13 form an integral part of these unaudited interim financial statements. These financial statements are unaudited and are not the Group's statutory financial statements.

Consolidated Cash Flow Statement

for the period from 1 March 2006 to 30 September 2006 (unaudited)

	1 March 2006 to 30 September 2006 £'000
Operating activities	
Rent received	614
Bank interest received	2,032
Management fee paid	(27)
Other expenses paid	(136)
VAT payments	(1,688)
Net cash inflow from operating activities	795
Investing activities	
Purchase of/additions to investment property	(61,639)
Net cash outflow from investing activities	(61,639)
Financing activities	
Issue of shares	122,500
Share issue costs	(5,350)
Net cash inflow from financing activities	117,150
Increase in cash and cash equivalents	56,306
Cash and cash equivalents at beginning of period	–
Increase in cash and cash equivalents	56,306
Cash and cash equivalents at end of period	56,306

The accompanying notes on pages 9 to 13 form an integral part of these unaudited interim financial statements. These financial statements are unaudited and are not the Group's statutory financial statements.

Notes to the Interim Financial Statements

1. Significant accounting policies

a) Statement of compliance

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*". These unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and applicable legal and regulatory requirements of Guernsey Law and reflect the following policies, which have been adopted and applied consistently.

Changes to International Accounting Standard 1: Presentation of Financial Statements ("IAS 1") are effective for accounting periods beginning on or after 1 January 2007. The Directors have chosen not to early adopt the changes to IAS 1, which will have a disclosure impact but no financial impact.

International Financial Reporting Standard 7: *Financial Instruments: Disclosure* ("IFRS 7") is effective for periods beginning on or after 1 January 2007. The Directors have chosen not to early adopt IFRS 7.

The interim financial statements were authorised for issuance on 15 December 2006.

b) Basis of preparation

The unaudited interim financial statements have been prepared on a historical cost basis except for the measurement at fair value of investment properties. The financial statements are presented in Sterling, rounded to the nearest thousand.

The accounting policies have been consistently applied by the Group.

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September 2006. The results of the subsidiary undertakings are accounted for in the Consolidated Income Statement from the effective date of acquisition.

c) Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment property business carried out in one geographic area.

d) Income recognition

Short-term deposit interest is accounted for on an accruals basis. Rental income is included in the financial statements on an accruals basis and is shown gross of any UK income tax.

e) Expenses

All expenses are accounted for on an accruals basis. The Company's investment management and administration fees, finance costs and all other expenses (with the exception of share issue costs, which are charged directly to the share premium account) are charged through the Consolidated Income Statement.

Notes to the Interim Financial Statements (continued)

f) Taxation

The Company has been granted exemption from Guernsey taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £600. The Directors intend to conduct the Company's affairs such that it continues to remain eligible for exemption from Guernsey tax.

Investment income is recorded gross of applicable taxes and tax expense is recognised in the Consolidated Income Statement as incurred. The Property subsidiaries are subject to UK income tax on rental income, after deduction of debt financing costs and allowable expenses.

g) 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 Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits at banks.

h) Investment properties – freehold

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. This is in accordance with International Accounting Standard 40, "*Investment Properties*".

After initial recognition, freehold investment properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Income Statement. Fair value is based upon the open market valuations of the properties as provided by CB Richard Ellis Limited ("CBRE"), international property advisers, as at the balance sheet date. The valuations have been undertaken in accordance with the RICS Appraisal and Valuation Standards, 5th Edition.

i) Net asset value per share and earnings per share

The net asset value per share disclosed on the face of the Consolidated Balance Sheet is calculated by dividing the net assets by the number of Ordinary Shares in issue at the period end.

Net gain per share is calculated by dividing net gain for the period by the weighted average number of Ordinary Shares in issue during the period.

j) Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

2. Management and administration fees

During the financial period Rugby Asset Management Limited acted as Property Adviser to the Group and Collins Stewart Fund Management Limited ("CSFM") acted as Administrator and Secretary to the Company.

The fees payable in respect of the period were:

	£'000
Management fees	159
Administration fees	61

On 20 October 2006 Collins Stewart Tullet plc ("Collins Stewart") sold substantially all of the business of CSFM to Elysium Fund Management Limited ("Elysium") a new fund management/administration business set up by the former management team of CSFM. On 27 October 2006 the Board agreed, in the interests of continuity and to minimise any disruption to the Company's activities, to novate to Elysium the Management Agreement previously held with CSFM. The terms of the new Management Agreement remain unchanged from those with CSFM. All of the previous fee arrangements for these services and the role of Rugby Asset Management Limited as Property Adviser remain unaffected by these changes.

3. Other operating expenses

1 March 2006 to
30 September 2006
£'000

Directors' fees	116
Custodian and settlement fees	18
Auditors' remuneration: – audit services	31
– other professional services	4
Nominated advisor fees	20
Registrar fees	8
Aborted purchase	75
Other expenses	28
	300

4. Earnings per share

The gain per Ordinary Share is based on a gain of £2,641,223 and on a weighted average number of 122,500,000 Ordinary Shares in issue.

There is no difference between the basic and diluted earnings per share.

Notes to the Interim Financial Statements (continued)

5. Freehold investment property

	Freehold Investment Properties £'000
Purchases at cost	68,443
Movement in unrealised appreciation	326
At 30 September 2006	68,769

At the period end £25,551,000 of the property was held through Jersey Property Unit Trusts. See note 1(h) regarding the classification, recognition, measurement and derecognition of investment properties.

The freehold properties were valued by CB Richard Ellis ("CBRE"), international property advisers, at open market value as at 30 September 2006 in accordance with the latest edition of the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual.

6. Creditors and accruals

	30 September 2006 £'000
Purchase costs	6,804
Provision for aborted purchase	75
Other creditors and accruals	739
	7,618

7. Share Capital

	30 September 2006 £'000
Authorised:	
200,000,000 Ordinary Shares of 1p each	2,000
Issued and fully paid:	
122,500,000 Ordinary Shares of 1p each	1,225

The authorised share capital on incorporation of the Company on 1 March 2006 was £1,500,000 (divided into 150 million Ordinary Shares of 1p each). By written resolution on 21 March 2006 the Company resolved to increase the authorised share capital of the Company to £2,000,000 (divided into 200 million Ordinary Shares of 1p each).

On 27 March 2006, the Company raised gross proceeds of £150 million through the issue of 122,500,000 Ordinary Shares of 1p each at 100p each. All the Ordinary Shares were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange on 27 March 2006. By written resolution on 21 March 2006 the Company resolved to authorise it to utilise the distributable reserves to buy back up to 14.99% of the Ordinary Shares issued at the Placing for cancellation. No shares were purchased for cancellation during the period.

8. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £119,791,862 and on 122,500,000 Ordinary Shares in issue at the end of the period.

Directors

Phillip Rhodes (Chairman)

Aged 60, 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. Currently he is also involved as a non executive with private equity investments in the house building and educational sectors.

Howard Stanton

Aged 64, 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 he is also a non-executive director of Stylo plc and Anglo Scottish Properties plc.

Quentin Spicer

Aged 62, 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 Wedlake Bell Guernsey, specialising in United Kingdom property transactions for non-UK resident entities. He is chairman of the Guernsey Housing Association LBG, European Value and Income Fund Limited, RAB Special Situations Company Limited and ISIS Property Trust 2 Limited and is a non-executive director of several other funds.

Richard Barnes

Aged 44, Richard is a principal of BDP Barnes Daniels and Partners, chartered surveyors established in November 2001, and specialises in Channel Island commercial property, valuation, consultancy, investment and development. Prior to this, Richard was a manager of the Mourant de Feu & Jeune Property Department (1995-1997) and a director of ATIS REAL Weatheralls Jersey (1997-2001) where he was director of a number of offshore property structures administered on behalf of clients. Richard has over 20 years' experience of working in the real estate sector and has also held posts at Hillier Parker, Vigers and Bernard Thorpe. Richard is chairman of the Invesco Property Income Trust and past chairman of the Jersey branch of the Royal Institution of Chartered Surveyors and often acts as an independent expert and arbitrator in Jersey and Guernsey third party disputes.

Peter Radford

Aged 49, Peter was appointed managing director of Bordeaux Services (Guernsey) Limited 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 within the Genesis Fund Management Group and a range of Guernsey –based mutual fund companies and investment companies. Peter is a Fellow of the Institute of Chartered Accountants. He is also a Fellow of the Securities and Investment Institute and of the Society of Trust and Estate Practitioners.

Advisers

Property Adviser

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Notes



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