



Report and Consolidated Financial Statements
for the year ended 31 March 2008



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 our target area which comprises the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent. Your Board believes that there is scope for significant capital and rental growth, particularly in view of 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 we believe will result in a significant structural, economic and cultural repositioning of the target area.

IFC	Investment Objective	21	Consolidated Statement of Changes in Equity
01	Chairman’s Statement	22	Consolidated Balance Sheet
04	Property Adviser’s Report	23	Consolidated Cash Flow Statement
08	Property Portfolio	24	Notes to the Consolidated Financial Statements
12	Directors	41	Notice of Annual General Meeting
14	Report of the Directors	43	Form of Proxy
19	Independent Auditor’s Report	IBC	Directors and Advisers
20	Consolidated Income Statement		

“I believe that the Group’s robust and diversified portfolio is well placed to recover from the difficult period that the UK property market is experiencing.”

Chairman’s Statement

I am pleased to present the report and consolidated financial statements of the Group for the year ended 31 March 2008.

The Group has maintained its objective to build a diversified portfolio of properties in its Target Area to the east of London. It has purchased further properties during the year and undertaken several renovation projects to properties previously acquired.

Results

The Group reported a net loss for the year to 31 March 2008 of £34.1 million (31 March 2007: profit of £3.7 million), representing a loss per Ordinary Share of 27.83p (31 March 2007: earnings of 3.01p). The net gain from operating activities was more than offset by unrealised reductions in the value of some of the Group’s portfolio caused by corrections in the UK property market and by the mark to market of fixed rate debt.

The consolidated net asset value at 31 March 2008 was £84.9 million (31 March 2007: £120.2 million) being 69.32p per Ordinary Share (31 March 2007: 98.15p per Ordinary Share).

At 31 March 2008 the Group’s property investment portfolio was valued by CB Richard Ellis (“CBRE”) at £249.8 million (31 March 2007: £236.6 million). The valuation of properties which had been held throughout the year was £214.1 million, an overall reduction in capital value of 11%.

Your Group’s initiatives and management have resulted in rental levels in excess of valuation when properties have been offered on the market. Some 236,000 square feet of vacant space has been let over the year together with one substantial sale at a value considerably in excess of cost and valuation. Despite the wider economic and financial difficulties this active management is generating returns in excess of the IPD monthly index for Rental Value Growth and has limited the capital decline, which compares favourably to the monthly

index for Capital Value Movement. Details of these measures and a full commentary on the Group’s portfolio are set out in the Property Advisers’ Report.

Financing

The Group’s borrowings, other than overdrafts which are offset by cash balances, are under a £250 million loan facility with Nationwide Building Society. At 31 March 2008 a total of £170 million had been drawn on this facility. The loan carries interest at a margin of up to 0.65% per annum. Of the total amount drawn, £138 million (81%) is fixed until December 2014 at an average rate including margin of 6.1%. The balance bears interest at a floating rate. Taking the average three month LIBOR for the year ended 31 March 2008 of 6.05%, the blended average rate payable on borrowings was 6.09% per annum.

The covenants under the loan facility include a loan to value ratio of 75% and an income cover ratio of 120%. At 31 March 2008 the loan to value ratio on properties charged as security was 68% and the income cover ratio was 131%.

At 31 March 2008, the Group’s net cash balances were £4.8 million (2007: £5.4 million). Shortly after the year end, the Group’s cash balances were increased by £5.2 million on completion of the sale of a property which had been contracted during the year.

Dividend

The longer term focus of the Group is the delivery of capital growth for shareholders. With this in mind, the Board has augmented the initial equity raised with a sensible level of borrowing in order to assemble a substantial, well located and diversified portfolio. Interest payable on such borrowings will, especially in the early years, reduce the recurring net revenue available for distribution by way of dividends. However, over the next few years the Board expects gross rental income to

Chairman's Statement (continued)

grow as a result of both rental growth generally in the Target Area and the completion of the letting of properties initially acquired with vacant space, primarily for refurbishment and other asset management initiatives. The Board feels very confident that the original objectives of the Group remain sound; that the invested portfolio has excellent potential and that actions and plans are in place to deliver it. The Company paid an interim dividend during the year of 0.50p per share but with the growing concerns of the wider financial and economic climate your Board feels that the long term prosperity of the Group is better served by retaining its cash resources for use within the business. Accordingly we are not proposing a second interim dividend but will keep the dividend policy under continuous review.

Nominated Adviser and Broker

We recently conducted a review of our corporate advisory services and made the decision to replace Collins Stewart Europe Limited with Fairfax I.S. PLC as Nominated Adviser and Broker with effect from 1 July 2008.

Outlook

I believe that the Group's robust and diversified portfolio is well placed to recover from the difficult period that the UK property market is experiencing. With the 2012 Olympic and Paralympic Games led regeneration of the region now well underway, the Board, and its property advisers, are confident that the long term objectives of the Group will be achieved.

Phillip Rhodes

Chairman

3 July 2008



1. The Interchange, Swanley, before and after the redevelopment during the year.

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 transactions for recommendation to, and consideration by, the Board of the Company and to negotiate on its behalf. We undertake, on a day to day basis, under delegated authority from the Board, all aspects of assembling, managing and financing the Group's property portfolio.

Further Progress

We are pleased to report further progress in establishing a significant property investment portfolio in the Group's Target Area. The Group's objective is to build up a well located portfolio which is diverse in sector, tenant and lot size in the Thames Gateway and the adjacent areas of East London, Essex, South Hertfordshire and North Kent. The key criterion for property acquisitions has been the potential for long term rental and capital value growth, resulting from the regeneration initiatives in the area and through individual property asset management initiatives.

Notwithstanding current uncertainties in the real estate market and in the wider economy, we believe that rental and capital value growth in the Target Area over the next few years will continue to be stimulated by the regeneration initiatives and investment, both public and private, planned, and under way, particularly for the area around Stratford in East London and the broader Thames Gateway area. In a number of cases the results of these initiatives have resulted in rental levels in excess of valuation rental values being achieved when properties have been offered in the open market. The Olympic Games in 2012 is a major catalyst for these improvements.

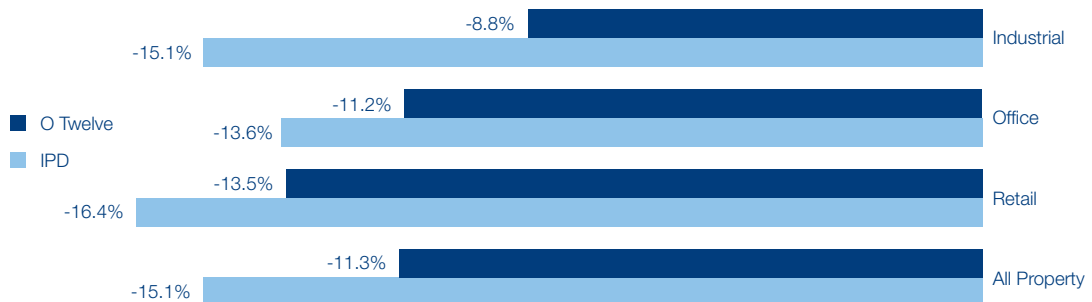
Portfolio Review as at 31 March 2008

- Valuation £249.8 million
- 22 properties
- Five acquisitions and one sale throughout the year
- Average lot size of £11.4 million
- Contracted annual rental income of £14.7 million
- The estimated rental value ("ERV") is £17.7 million per annum, thus additional potential rental income from reversions and letting vacant units is £3.0 million per annum
- 206 separately lettable units (excluding long leasehold and assured shorthold tenancies)
- 180 units are let to 159 tenants
- 26 units are vacant and available for letting with an ERV of £2.4 million per annum
- 55% of income is from leases with more than five years to expiry
- Weighted average unexpired lease term is 6.8 years.

Valuation

The external valuation of the Group's properties as at 31 March 2008 was £249.8 million. Of this, £214.1 million of property had been held throughout the year, a reduction in value of 11.3% over the year on a like for like basis, after taking into account capital expenditure. This compares favourably with the IPD All Property Capital Value Index which showed a fall across the index of 15.1% over the same period. The rate of decline in value was greater in the second half of the year with a valuation decrease of 7.5% as the effects of the "credit crunch" and the wider economic downturn took effect. A sector analysis is shown opposite.

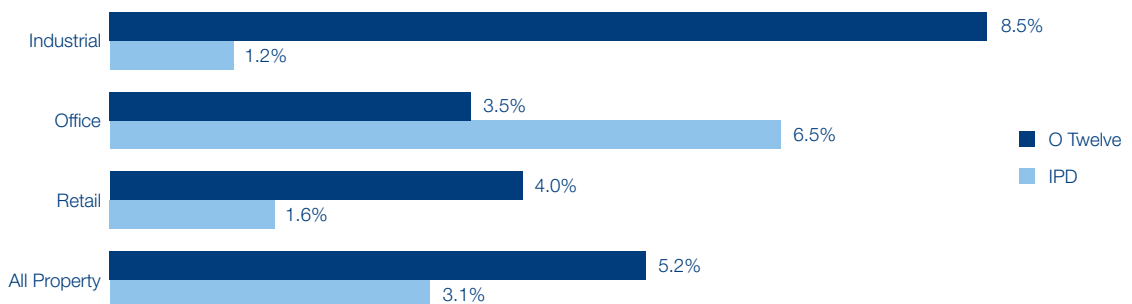
Capital Value Movement compared to IPD Monthly Index



Rental value growth within the portfolio during the year has been strong, driven forward in many respects by the asset management initiatives which we are undertaking. During the year the rental value of the portfolio increased by 5.2% on a like for like basis. Over the same period the IPD All Property

Monthly Index showed an increase of 3.1%. The best performing sector within the Group's portfolio was industrial where rental growth of 8.5% was achieved compared with just 1.2% within the IPD Index. A detailed sector analysis is shown below.

Rental Value Movement compared to IPD Monthly Index



Following the unprecedented yield compression seen over recent years, investment yields have increased considerably since March 2007. The equivalent yield for the portfolio has

increased by 91 basis points from 5.52% to 6.43%. The IPD All Property equivalent yield increased by 1.14% from 5.39% to 6.53% over the same period.

Property Adviser's Report (continued)

Activity

During the year the Group acquired five properties at a cost, including acquisition expenses of £45 million. One of the properties acquired, an industrial site on the A13 in Barking, was also sold during the year for £5.5 million representing a premium of 26% over our external valuer's opinion of value as at September 2007. Our intention at purchase was to undertake a speculative industrial re-development on the site but given the difficult investment market conditions it was felt that it would not be prudent to do so. By selling, a profit over cost of £0.6 million was crystallised. We will continue to recommend disposals to recycle capital where we believe it to be the best way of maximising returns for the portfolio.

The aggregate passing rental income for the portfolio is currently £13.9 million per annum, with an ERV of £17.7 million per annum. Once rent free periods expire, the rental income will increase to £14.7 million per annum.

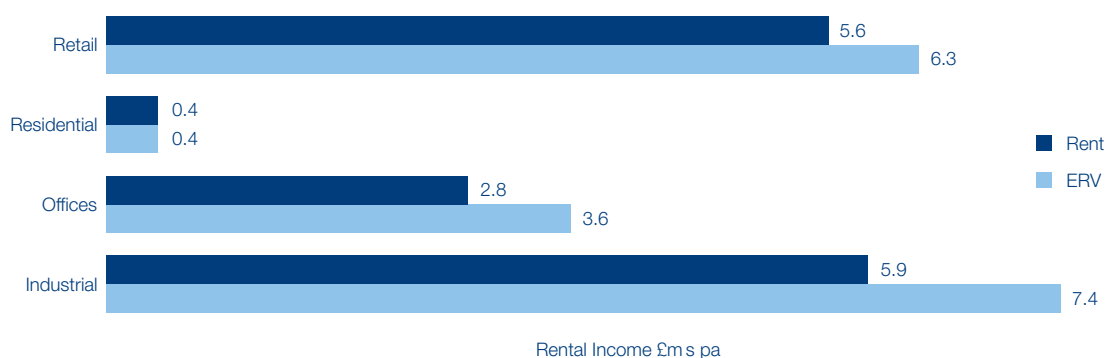
Rental Value Analysis – 31 March 2008

	£m
Current annualised income	13.9
Rent free periods	0.8
Available for letting	2.3
Reversions	0.7
Rental value	17.7

Approximately 236,000 sq ft of vacant space in the portfolio has been let over the year in 11 transactions. Much of this activity has arisen from instances where we have chosen to deliberately take space back in order to refurbish prior to re-letting and to drive rents forward. On average, the rents achieved on these lettings were 5.8% above our valuer's opinion of rental value as at 31 March 2007, and were instrumental in setting new benchmark rental levels for certain properties in the portfolio. The reversionary potential for each sector is shown below.

The most significant letting during the year occurred at The Interchange, Swanley (formerly known as Pedham Place) where Sainsbury Supermarkets Ltd has taken a ten year lease on 115,000 sq ft of distribution space at a rent of £773,950 per annum. This letting follows a letting of one of the smaller units on the estate to Toyota. On acquisition in early 2007 the distribution unit was let to the Co-Operative Group. Shortly after acquisition a substantial surrender premium of £1.7 million was paid to the Group and this funded the majority of the subsequent refurbishment costs. Other significant rental transactions included the letting of Unit 2 at Grove Farm to Smyths Toys and the letting of 68,000 sq ft of industrial space to Clipper Group Limited at Mill River Trading Estate, Enfield.

Reversion by Sector





At Barratt Industrial Estate, Bow, E3, mutual break options on all leases have been exercised with a view to realising new rental levels in excess of £12 per sq ft. The estate is very close to the Olympic Park and we are currently in discussions with a number of potential occupiers.

Void Analysis

At 31 March 2008 the void rate in the portfolio stood at 14% by rental value. Approximately 45% of space currently vacant has been deliberately taken back in order to undertake significant refurbishments. Once lettings currently in solicitors' hands complete the void rate will fall to 10% of rental value. Rent guarantees are in place for approximately 25% of the rental value of void space; these expire in late 2008 or early 2009.

Income Security

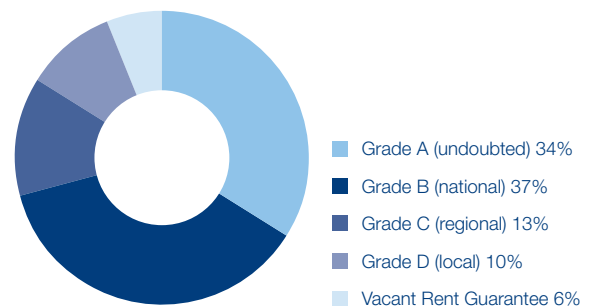
Given the current uncertainty in the economy and in the wider banking and financial markets, investors are increasingly focusing on security of income and tenant covenant strength. Within the portfolio approximately 55% of the contracted rent is secure for more than five years. Where leases are for less than five years, opportunities exist to refurbish or consider changes of use in order to maximise value. In our view the portfolio offers a good balance between income security and opportunities to add value.

Income expiry profile – 31 March 2008

< 5 years	45%
5 – 10 years	31%
> 14 years	24%

Out of the portfolio's 159 tenants, 20 account for 46% of the contracted rental income with the top 10 accounting for 33%. Tenants of, in our view, "undoubted" or of a "national" standard account for 71% of the contracted rent, while smaller regional and local companies account for 23% of the contracted rent. A more detailed analysis is shown below.

Tenant Covenant Strength by Contracted Rent



Tenants in the portfolio include:

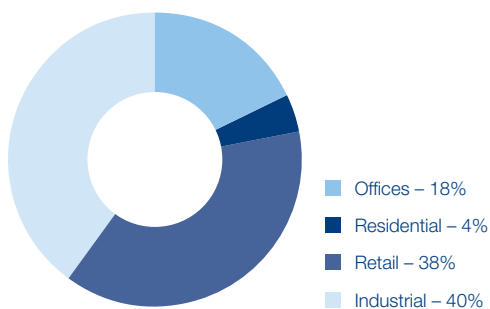
Chelmsford Star Co-Operative Society Ltd	Hitachi Kokusai Electric UK Ltd	Sainsbury Supermarkets Ltd	Target Express Parcels Ltd
Chubb Electronic Security Ltd	London Eastern Railways Ltd	Secretary of State	Telford Homes plc
Coutts Retail Communications Ltd	Bank of New York Mellon Bank NA	Smyths Toys Ltd	Toyota Tsusho Automobile London Holdings Ltd
GE Transportation Systems Ltd	Moss Bros Group Plc	Somerfield Stores Ltd	WH Smith Plc
Halfords Group plc	O2 (UK) Ltd	Staples Delivery Ltd	Wilkinson Hardware Stores Ltd

Property Adviser's Report (continued)

Portfolio at 31 March 2008

Property	Type	Valuation Band at 31 March 2008 £m
Gascoigne Road, Barking	Distribution warehousing	10 – 15
QED, Thurrock	Distribution warehousing	10 – 15
Western Avenue, Thurrock	Distribution warehousing	10 – 15
Bakers Court, Basildon	Industrial	5 – 10
Barratt Industrial Estate, Bow	Industrial	0 – 5
Larkfield Mill, Aylesford	Industrial	20 – 25
Mill River Trading Estate, Enfield	Industrial	5 – 10
The Interchange, Swanley	Industrial	25 – 30
Baytree Shopping Centre, Brentwood	Shopping centre	30 – 35
George Yard, Braintree	Shopping centre	20 – 25
The Mall, Dagenham	Shopping centre	15 – 20
214/216 Heathway, Dagenham	Retail	0 – 5
38-42 High Street, Brentwood	Retail	0 – 5
75 High Street, Brentwood	Retail	0 – 5
Grove Farm, Chadwell Heath	Retail park	10 – 15
Inspira House, Welwyn Garden City	Office	0 – 5
Mellon House, Brentwood	Office	10 – 15
Queensgate, Waltham Cross	Office	10 – 15
Redwing Court, Romford	Office	5 – 10
Solar House, Stratford	Office	10 – 15
34 St Thomas Road, Brentwood	Residential	0 – 5
Salway Place, Stratford	Residential	5 – 10

Sector Split by Capital Value



Property Summary

Industrial and Distribution

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 ("QED") 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

“The good rental growth which we are continuing to experience underlines the strong prospects for both rental and capital value growth in the Group’s Target Area.”

east and the recently improved A13 within a mile to the west. The building has been divided into two 56,000 sq ft units, one of which has been let to Harrow Green Group until 2021.

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 crossing has established West Thurrock as a popular location for distribution. It is let to a subsidiary of Media Square Plc until 2021.

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 occupied by 24 tenants. The estate is located in an established industrial area, approximately 1.5 miles east of Basildon town centre with a prominent road to the A132 Southend Arterial road. At purchase, parts of the estate were subject to long leasehold interests. During the year, the Group bought in two of these and negotiations are in progress for the remaining interests.

Barratt Industrial Estate is a small-unit estate 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. All leases contain mutual break options effective from September 2008 which we have exercised, as we believe significantly higher rents can be achieved once the units are offered in the market.

Larkfield Mill Industrial Estate, Aylesford is a multi-let industrial estate comprising more than 320,000 sq ft in six inter-connecting units and two new, separate units. Larkfield Mill is located near Junction 4 of the M20. The estate has excellent access to both London and the M25 and the continent via Dover and the Channel Ports.

Mill River Trading Estate, Enfield is a multi-let industrial estate of approximately 95,000 sq ft comprising five units. Situated on Suez Road, off the A1055, the estate is superbly located

just two miles from Junction 25 of the M25. The Enfield Industrial area is the second largest in London after Park Royal and the estate offers good opportunities to drive rents forward through active asset management.

The Interchange, Swanley (formerly Pedham Place), is a multi-let industrial estate comprising 266,000 sq ft located in a prominent position on the M20/M25 interchange. A comprehensive refurbishment of the estate is now nearing completion and a letting of 115,000 sq ft to Sainsbury’s has recently completed.

Retail and Shopping Centres

The recently developed Baytree Shopping Centre is the only managed shopping centre in Brentwood. Its 133,000 sq ft of retail accommodation accounts for some 22% of the town’s retail offer. The main anchor tenants are Wilkinsons, Sports World, Somerfield and Fitness First; WHSmith, Birthdays and Holland and Barratt are also represented. During the year, a new letting has established a new headline Zone A rent at £85 per sq ft.

George Yard Shopping Centre is a modern shopping centre in the heart of the thriving town of Braintree. Acquired in an off-market transaction, the investment comprises 106,000 sq ft and its 37 tenants include Marks and Spencer, Peacocks, Chelmsford Star Co-Op, Boots, Superdrug, WHSmith and Clinton Cards.

The Mall, Dagenham, together with 214/216 Heathway, comprising 106,000 sq ft, is the town’s only shopping centre, and is let to tenants which include Boots, Wilkinsons, Peacocks, Birthdays, Bon Marché, Superdrug and Royal Mail. A modest refurbishment including the provision of some additional retail accommodation is currently being reviewed.

75 High Street, Brentwood is located opposite the entrance to Baytree Shopping Centre and has been acquired for its strategic high street position. It is let to Barclays Bank Plc until 2026.

Property Adviser's Report (continued)

Grove Farm Retail Park, Chadwell Heath is a retail warehouse development with a prominent frontage on Chadwell Heath High Road, the A118. Comprising 49,000 sq ft and with Open A1 unrestricted use this property has the lowest rental levels for similar retail warehousing within the M25, indicating good rental growth prospects.

38-42 High Street, Brentwood was acquired in November 2007. The building comprises some 8,300 sq ft of retail and leisure space and is in a prominent position on the High Street, adjoining the Baytree Shopping Centre.

Offices

Inspira House lies less than a mile from the town centre of Welwyn Garden City, which is located at junction 4 of the A1, 7 miles north of junction 23 of the M25. It is a modern office building of 25,000 sq ft and is let in its entirety to GE Transportations Ltd until 2011.

Mellon House, Brentwood is a single-let three-storey office building comprising 46,000 sq ft with an accompanying 113 car park spaces. Situated in the heart of Brentwood just 25 yards from the main retail pitch on the high street, it is let to Mellon Bank NA (now Bank of New York Mellon NA) until 2013.

Queensgate is an office complex comprising three two-storey detached modern buildings totalling 59,000 sq ft. Situated next to the railway station with a prominent frontage onto the A121, the property is the premier office location in central Waltham Cross. The property is let to nine strong tenants on ten leases with average unexpired lease terms of approximately five years.

Redwing Court, Romford comprises two adjacent two-storey blocks with considerable parking. Part of the Harold Hill Business Estate, it is located just off the A12, close to its junction with the A127, approximately 2.5 miles from Romford town centre. The property has now been comprehensively refurbished; one unit has been let and the remaining units are being marketed.

Solar House is a six-storey office building located in the heart of Stratford, E16. Constructed in the early 1980s, this 49,000 sq ft building is fully let to four tenants, and has over 90 car parking spaces. Opportunities for redevelopment on expiry of the existing leases in 2010 are being explored.

Residential

34 St Thomas Road, Brentwood is a residential property adjacent to Mellon House (see above) which has now been refurbished and let on an Assured Shorthold Tenancy. In the medium to long term, it offers development potential due to its strategic position.

Salway Place is a modern seven-storey block of 38 flats located in the heart of Stratford, E16. 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 a terrace. Demand for these flats is high and rental levels have progressively increased since purchase, voids being minimal.

Going Forward

The Group is now well established as a major investor within its Target Area, holding what we believe to be a well located real estate portfolio with strong potential for rental growth and capital value enhancement over the next few years.

Although the property market as a whole has experienced a fall in capital values over the past nine months the Group's portfolio has been reasonably robust due to continued rental growth and as a result of successful asset management initiatives. The good rental growth which we are continuing to experience underlines the strong prospects for both rental and capital value growth in the Group's Target Area. East London and the Thames Gateway are responding positively to the infrastructure and urban regeneration now in progress. We firmly believe the Group's portfolio will continue to benefit after 2012 from the legacy of the Olympic Games.

Our principal focus will remain on active management of the portfolio to extract maximum value from existing assets. Our strategy at The Interchange, Swanley and at Barratt Industrial Estate, Bow are typical of this. We will also recommend the disposal of assets where the right opportunity presents itself at the appropriate time to realise cash which can then be used to invest in new stock or asset management initiatives on the existing portfolio. The disposal of the industrial site in Barking is a good example of this strategy.

While there are many uncertainties in the economy generally and the property market in particular, we remain of the view that the Group's diversified income producing portfolio provides a resilient platform from which satisfactory progress can be made.

David Tye

Andrew Wilson

Rugby Asset Management Limited

3 July 2008



Directors

Phillip Rhodes (Chairman)

Aged 61, 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 sector.

Howard Stanton

Aged 65, 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 chairman of Delek Global Real Estate Limited, a Jersey AIM company, a non-executive director of Stylo plc and Anglo Scottish Properties plc.

Quentin Spicer

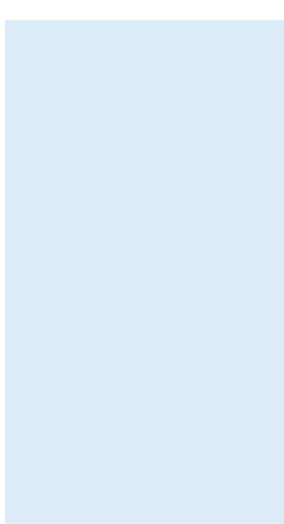
Aged 63, Quentin qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970. He moved to Guernsey in 1996 as a senior partner in Wedlake Bell Guernsey, specialising in United Kingdom property transactions for non-UK resident entities. He is chairman of the Guernsey Housing Association LBG, European Value and Income Fund Limited, RAB Special Situations Company Limited, South African Property Opportunities plc, Atlas Estates Limited and ISIS Property Trust 2 Limited and is a non-executive director of several other funds.

Richard Barnes

Aged 46 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 51 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 also holds a number of directorships with 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.



Report of the Directors

The Directors present their report and consolidated financial statements for the year ended 31 March 2008.

Status and Activities

The Company is a closed-ended investment company registered under the provisions of The Companies (Guernsey) Law, 1994 to 1996, (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's objective is to generate an attractive return for Shareholders through the assembly of a portfolio of investment properties in our Target Area which comprises the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent. Your Board believes that there is scope for significant capital and rental growth, particularly in view of 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 we believe will result in a significant structural, economic and cultural repositioning of the target area.

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.

Revenue

The Consolidated Income Statement on page 20 shows a net gain from operating activities before the investment result for the year of £1.1 million and an overall loss for the year of £34.1 million.

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 Shares were purchased for cancellation during the year. The Company intends to seek to renew the necessary authorities to buy back Ordinary Shares at the forthcoming Annual General Meeting.

A resolution enabling the Company to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares was accepted at the last Annual General Meeting.

With these measures your Board has the ability to exert a positive influence, as and when deemed appropriate, 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 (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 to 31 March 2008 the option to subscribe for Ordinary Shares was not taken up by Collins Stewart Europe Limited.

Dividends

Although, as stated in the Admission Document, the initial focus of the Company is the delivery of capital growth for Shareholders, an interim dividend for the year ended 31 March 2008 of 0.50 pence per Ordinary Share was paid. The Board does not propose to pay a second interim, or final, dividend.

Property

The properties were independently valued at £249.8 million as at 31 March 2008. Further details of the properties are given in the Property Adviser's Report on pages 4 to 11.

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 plc, the Group's bankers.

Collins Stewart (CI) Limited acted as Custodian until 19 March 2008, when the Custodian contract was terminated. The Board concluded that the Company did not require the services of a dedicated Custodian, hence no alternative Custodian has been appointed.

Property Adviser

RAM is Property Adviser and is entitled to receive an annual management fee and an annual performance fee (see note 2).

Administration

Elysium is entitled to an administration fee from the Company (see note 2).

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 agreed.

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.

Change of Nominated Adviser and Broker

On 1 July 2008 the Company appointed Fairfax I.S. PLC as Nominated Adviser and Broker and Collins Stewart Europe Limited resigned as Nominated Adviser and Broker.

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.

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

Future Prospects

The Directors are confident that the long term objective of the Group will be achieved. Further details are given in the Chairman's Statement and the Property Adviser's Report on pages 1 to 2 and 4 to 11 respectively.

Directors

The present members of the Board are listed on page 12.

At 31 March 2008 the Directors' interests in the Ordinary Shares of the Group were as follows:

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

There were no changes in the interests of Directors between 31 March 2008 and 3 July 2008.

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

Report of the Directors (continued)

Substantial Interests

As at 6 June 2008, the following interests of 5% 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>		
F&C Asset Management plc	15,186,089	12.40%
Threadneedle Asset Management Ltd	11,805,844	9.64%
Midas Capital Partners Ltd	10,250,000	8.37%
Utilico Limited	10,210,750	8.34%
AEGON Asset Management UK plc	8,464,410	6.91%
Gartmore Investment Management Limited	7,374,621	6.02%
Rugby BVI Holdings Limited	6,694,502	5.46%

Going Concern

After making reasonable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 "2006 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 2006 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 Combined Code Principles of Good Governance and Code of Best Practice, 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 2006 FRC Code but is felt to be appropriate for the size and nature of the Company.
- 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 nature of the Company.
- 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. This is not in accordance with provision A.2.1 of the 2006 FRC Code but is felt to be appropriate for the size and nature of the Company.

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.

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 2006 FRC Code on directors' remuneration. However, the fee that was paid to each Director during the year is shown in *note 4* to the financial statements.

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 to 31 March 2008 nine Board meetings were held.

	<i>Meetings attended</i>
Phillip Rhodes	5/9
Howard Stanton	5/9
Peter Radford	9/9
Quentin Spicer	7/9
Richard Barnes	8/9

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 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 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 Company 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 Company.

Auditors

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

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.

Report of the Directors (continued)

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; and
- The Board reviews financial information produced by the Property Adviser and the Administrator on a regular basis.

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.

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 Company's financial instruments comprise freehold and leasehold investment property, cash, loans and various items such as debtors and creditors that arise directly from the Company'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 24* to the financial statements.

Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company for that period and of the profit or loss of the Company and are in accordance with applicable laws. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 Company 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 to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994, as amended. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board.

Phillip Rhodes

Director

3 July 2008

Peter Radford

Director

3 July 2008

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

We have audited the group's financial statements of O Twelve Estates Limited for the year ended 31 March 2008 which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement, and the related notes 1 to 26. These financial statements have been prepared on the basis of accounting policies set out herein.

This report is made solely to the Company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. 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

As described in the Directors' Responsibilities, in respect of the financial statements the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey Law and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

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, 1994. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial

statements. This other information comprises the Investment Objective, 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 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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements, which have been properly prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of its results for the year then ended and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

Ernst & Young LLP

Guernsey, Channel Islands

4 July 2008

Consolidated Income Statement

for the year ended 31 March 2008

	Note	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Income			
Rent receivable		15,363	3,688
Bank interest		379	2,797
Service charges receivable		2,435	412
Total income		18,177	6,897
Expenses			
Administration fees	2	(279)	(138)
Service charges payable		(2,435)	(412)
Management fees	2	(2,446)	(538)
Interest payable and similar charges	5	(9,973)	(773)
Other operating expenses	3	(1,982)	(1,001)
Total expenses		(17,115)	(2,862)
Net gain from operating activities		1,062	4,035
Movement in fair value of interest rate swap		(4,152)	(105)
Investment gains and losses			
Movement in unrealised loss on revaluation of investment properties	9	(31,432)	(207)
Realised gain from sale of investment properties		599	–
Total investment loss		(30,833)	(207)
(Loss)/profit before taxation		(33,923)	3,723
Taxation	6	(166)	(31)
(Loss)/profit for the year/period attributable to Equity Holders		(34,089)	3,692
(Loss)/earnings per share – basic	7	(27.83)p	3.01p
(Loss)/earnings per share – fully diluted	7	(27.83)p	2.98p

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

The accompanying notes on pages 24 to 40 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2008

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Balance at 1 April 2007		1,225	115,925	3,079	120,229
Reclassification of share premium	16	–	(115,925)	115,925	–
Loss for the year		–	–	(34,089)	(34,089)
Dividends paid	8	–	–	(1,225)	(1,225)
Balance at 31 March 2008		1,225	–	83,690	84,915

Consolidated Statement of Changes in Equity

for the period from 1 March 2006 to 31 March 2007

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Proceeds of placing		1,225	121,275	–	122,500
Issue costs		–	(5,350)	–	(5,350)
Profit for the period		–	–	3,692	3,692
Dividends paid	8	–	–	(613)	(613)
Balance at 31 March 2007		1,225	115,925	3,079	120,229

The accompanying notes on pages 24 to 40 form an integral part of these financial statements.

Consolidated Balance Sheet

as at 31 March 2008

	Note	31 March 2008 £'000	31 March 2007 £'000
Non-current assets			
Investment property	9	249,765	236,575
Current assets			
Receivables and prepayments	12	12,027	9,437
Cash and cash equivalents		4,826	7,547
		16,853	16,984
Total assets		266,618	253,559
Current liabilities			
Overdraft		–	(2,117)
Payables and accruals	13	(7,817)	(55,291)
		(7,817)	(57,408)
Non-current liabilities			
Bank loan	14	(169,629)	(75,817)
Fair value of interest rate swap	14	(4,257)	(105)
		(173,886)	(75,922)
Total liabilities		(181,703)	(133,330)
Net assets		84,915	120,229
Capital and reserves			
Called-up share capital	15	1,225	1,225
Share premium	16	–	115,925
Other reserves		83,690	3,079
Total Equity Holders' funds		84,915	120,229
Net Asset Value per Ordinary Share – basic	18	69.32p	98.15p
Net Asset Value per Ordinary Share – fully diluted	18	69.32p	98.16p

The financial statements on pages 20 to 40 were approved by the Board of Directors on 3 July 2008 and were signed on its behalf by:

Phillip Rhodes
Director

Peter Radford
Director

3 July 2008

3 July 2008

The accompanying notes on pages 24 to 40 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	Note	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Operating activities			
Rent received		14,961	3,108
Bank interest received		568	2,606
Service charges received		2,435	412
Loan interest and similar charges paid		(8,707)	(102)
Management fee paid		(1,972)	(502)
Administration fee paid		(245)	(107)
Other expenses paid		(3,520)	(1,036)
VAT receipts/(payments)		1,153	(1,611)
Net cash inflow from operating activities	19	4,673	2,768
Investing activities			
Purchase of/additions to investment property		(94,630)	(189,685)
Sale of investment property		275	–
Net cash outflow from investing activities		(94,355)	(189,685)
Financing activities			
Dividend paid on ordinary shares		(1,225)	(613)
Issue of shares		–	122,500
Share issue costs		–	(5,350)
Loan proceeds	14	94,000	76,000
Loan arrangement fees paid		(235)	(190)
Net cash inflow from financing activities		92,540	192,347
Taxation paid		(3,462)	–
(Decrease)/increase in cash and cash equivalents		(604)	5,430
Cash and cash equivalents at beginning of year/period		5,430	–
(Decrease)/increase in cash and cash equivalents		(604)	5,430
Cash and cash equivalents at end of year/period		4,826	5,430
Cash and cash equivalents at the end of the year/period comprise:			
Cash and cash equivalents		4,826	7,547
Overdrafts		–	(2,117)
		4,826	5,430

The accompanying notes on pages 24 to 40 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2008

1. 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 International Financial Reporting Interpretations Committee ("IFRIC") and applicable legal and regulatory requirements of Guernsey Law and reflect the following policies, which have been adopted and applied consistently.

The financial statements were authorised for issuance on 3 July 2008.

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 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 2008. The results of the subsidiary undertakings are accounted for in the Consolidated Income Statement.

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 consider 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 balance sheet date and their results for the year then ended. All intercompany balances and transactions are eliminated.

d) Segmental reporting

The Directors are of the opinion that the Group is engaged in four segments of business, being investment in offices, residential property, retail property and industrial property, which is carried out in one geographic area.

e) Income recognition

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

Rental income arising from operating leases on properties owned 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. The Group'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 in the period in which they are incurred.

g) Taxation

Investment income is recorded gross of applicable taxes and tax expense is recognised through the Consolidated Income Statement 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 Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits at banks 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 Income Statement. 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 5th Edition 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.

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 2008.

Notes to the Consolidated Financial Statements (continued)

1. Significant accounting policies (continued)

j) 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 year end.

Earnings per 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) 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.

l) 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.

m) 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 Balance Sheet date, taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

n) 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 Income Statement on a straight-line basis over the lease term.

o) Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 7).

In situations where some or all of the goods or services received by the Group as consideration for equity instruments cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. For cash-settled transactions, the liability is measured at each reporting date until settlement.

p) New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IAS 1 (revised)	Presentation of Financial Statements (revised 2007 and 2008)	1 January 2009
IAS 16	Property, plant and equipment (revised May 2008)	1 January 2009
IAS 19	Employee benefits (revised May 2008)	1 January 2009
IAS 20	Government grants and Disclosure of government assistance (revised May 2008)	1 January 2009
IAS 23	Borrowing Costs (revised 2007 and May 2008)	1 January 2009
IAS 27	Consolidated and separate financial statements (revised 2008)	1 January 2009 and 1 July 2009
IAS 28	Investments in associates (revised 2008)	1 January 2009 and 1 July 2009
IAS 29	Financial reporting in Hyperinflationary Economies (revised May 2008)	1 January 2009
IAS 31	Interests in Joint ventures (revised 2008)	1 January 2009 and 1 July 2009
IAS 32	Financial instruments: Presentation (revised 2008)	1 January 2009
IAS 36	Impairment of Assets (revised May 2008)	1 January 2009
IAS 38	Intangible assets (revised May 2008)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised May 2008)	1 January 2009
IAS 40	Investment property (revised May 2008)	1 January 2009
IAS 41	Agriculture (revised May 2008)	1 January 2009
IFRS 1	First time adoption of International Financial Reporting Standards (revised May 2008)	1 January 2009
IFRS 2	Share-based payment (revised 2008)	1 January 2009
IFRS 3	Business combinations (revised 2008)	1 July 2009
IFRS 5	Non current assets held for sale and Discontinued operations (revised May 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
<i>International Financial Interpretations Committee (IFRIC)</i>		<i>Effective date</i>
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, minimum funding requirements and their interaction	1 January 2008

Notes to the Consolidated Financial Statements (continued)

1. Significant accounting policies (continued)

p) New standards and interpretations not applied (continued)

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. Upon adoption, the Directors do not anticipate that they would have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 8, the Group will have to disclose additional information about its Operating segments, including how the Group identifies its operating segments, and the type of products and services from which each operating segment derives its revenue. There will be no effect on reported income or net assets.

2. Management and administration fees

Property Adviser

The Property Adviser, Rugby Asset Management Limited ("RAM") is entitled to an aggregate annual management fee payable quarterly in arrears, at the rate of 1.0% per annum of the Gross Property Asset Value, subject to receiving a minimum annual fee of £250,000.

In addition to the annual management fee, the Property Adviser is entitled to an annual performance fee. In summary, the performance fee (to the extent payable) is linked to cumulative total return per Ordinary Share ("CTR") (comprising the Company'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 the net proceeds of the Placing per share compounded up to 10.0% per annum from the date of Admission. 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 the net proceeds of the Placing per share compounded up at 15.0% per annum from the date of admission. 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 balance sheet 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 Company 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:

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Management fee	2,446	538
Administration fee	279	138

3. Other operating expenses

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Directors' fees (<i>note 4</i>)	200	217
Custodian and settlement fees	1	19
Auditor's remuneration: – audit services	80	86
– other professional services	30	9
Nominated adviser fees	40	40
Registrar fees	14	10
Aborted purchase costs	30	56
Irrecoverable property costs	830	127
Other expenses	757	437
	1,982	1,001

4. Directors' fees

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
P Rhodes	70	75
H Stanton	40	43
P Radford	30	33
Q Spicer	30	33
R Barnes	30	33
	200	217

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 15.

Notes to the Consolidated Financial Statements (continued)

5. Interest payable and similar charges

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Bank loan interest payable	9,926	766
Amortisation of bank loan arrangement fees (<i>note 14</i>)	47	7
	9,973	773

6. 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.

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.

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Net gain from operating activities	1,062	4,035
Tax losses brought forward	(366)	–
	696	4,035
At UK statutory income tax rate of 22%	153	888
Income not taxable, including interest receivable, at UK statutory income tax rate of 22%	(2,601)	(706)
Expenditure not allowed for income tax purposes at UK statutory income tax rate of 22%	2,878	491
Inter-company interest payable at UK statutory income tax rate of 22%	(4,326)	(719)
Tax losses carried forward at UK statutory income tax rate of 22%	4,062	77
Tax charge for the year/period	166	31

7. (Loss)/earnings per share

The loss per Ordinary Share is based on a loss of £34,089,000 (31 March 2007: profit of £3,692,000) and on a weighted average number of 122,500,002 (31 March 2007: 122,500,002) Ordinary Shares in issue.

The average price of the Ordinary Shares of 73.13p during the year 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 2007: based on profit of £3,692,000 and a weighted average number of shares of 123,725,002).

8. Dividends

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Final dividend in respect of the prior year	612	–
First interim dividend paid of 0.50p per Ordinary Share	613	613
	1,225	613

The final dividend for the period ended 31 March 2007 of £612,500 was proposed on 23 July 2007. Therefore, as the dividend was not proposed or paid to shareholders until after the period end, it has been included as a dividend in the year ended 31 March 2008.

The Directors do not propose a second interim, or final, dividend for the year ended 31 March 2008.

9. Investment property

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Freehold		
At 1 April 2007	187,950	–
Purchases at cost	48,202	186,135
Sale proceeds	(5,500)	–
Movement in the unrealised (depreciation)/appreciation	(28,466)	1,815
Realised gain on disposals	599	–
At 31 March 2008	202,785	187,950
Leasehold		
At 1 April 2007	48,625	–
Purchases at cost	1,321	50,647
Movement in the unrealised (depreciation)/appreciation	(2,966)	(2,022)
At 31 March 2008	46,980	48,625
Total		
At 1 April 2007	236,575	–
Purchases at cost	49,523	236,782
Sale proceeds	(5,500)	–
Movement in the unrealised (depreciation)/appreciation	(31,432)	(207)
Realised gain on disposals	599	–
At 31 March 2008	249,765	236,575
Cost	281,404	236,782
Unrealised loss	(31,639)	(207)
Fair value at 31 March 2008	249,765	236,575

At the period end £22,930,000 (31 March 2007: £26,750,000) 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 2008 in accordance with the latest edition of the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual.

Notes to the Consolidated Financial Statements (continued)

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 2008 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 ^[2]
O Twelve Gascoigne (2) Limited	Property investment ^[2]
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 ^[1]	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 ^[2]
O Twelve Weston (2) Limited	Property investment ^[2]
Solar House Limited	Property investment
Tabletop Estates Limited ^[1]	Dormant

As at 31 March 2008 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.

O Twelve Redwing Limited was wholly-owned by the Company until 20 March 2008 when the share capital was transferred to O Twelve NBS Limited.

^[1] Incorporated and registered in the United Kingdom.

^[2] Invest in property via a Jersey Property Unit Trust.

11. Loans to subsidiary undertakings

Non-current loan

The Company made available a revolving credit facility of up to £250 million to O Twelve NBS Limited, which is repayable on demand. However, on 20 December 2006 the Company entered into a Subordination Agreement with O Twelve NBS Limited and Nationwide Building Society such that the loan from the Company to O Twelve NBS Limited is subordinated in favour of the loan from Nationwide Building Society to O Twelve NBS Limited.

The loan from the Company to O Twelve NBS Limited bears interest at the Bank of England base rate plus 1.00% and is payable quarterly in arrears.

12. Receivables and prepayments

	31 March 2008 £'000	31 March 2007 £'000
Deposits with solicitors for contingent consideration	504	4,467
Due from agents	1,016	642
Rent due	2,975	1,744
Recoverable property costs	689	211
Bank interest receivable	–	189
VAT recoverable	1,104	1,611
Accrued proceeds on sale of investment property	5,225	–
Other receivables and prepayments	514	573
	12,027	9,437

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

13. Payables and accruals

	31 March 2008 £'000	31 March 2007 £'000
Accrued property costs	–	48,593
Rent received in advance	3,009	1,806
Interest payable	1,890	671
Taxation creditor	173	3,468
VAT payable	645	–
Other payables and accruals	2,100	753
	7,817	55,291

14. 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. Unless otherwise fixed, interest is payable at the aggregate of LIBOR plus:

- 0.625% per annum if the principal amount of the loan is 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.

The Group will be liable to pay a non-utilisation fee on the undrawn amount of the Facility. No non-utilisation fee is payable in respect of amounts which have never been drawn under the Facility, provided that on or before the second anniversary of the Facility Agreement, the Facility has been drawn down in full. The applicable percentage of the non-utilisation fee is:

- 0.20% per annum of amounts which have never been drawn down under the Facility (after 12 June 2009); and
- 50% of the margin disclosed above (either 0.60% or 0.625%) on any amount available for re-borrowing.

The Nationwide Facility Agreement contains financial and other covenants, including, inter alia, that:

- 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) shall not immediately following any utilisation exceed 70% of the sum of the aggregate market values of the properties;

Notes to the Consolidated Financial Statements (continued)

14. Bank Loan (continued)

- 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) shall not, at any time, exceed 75% of the sum of the aggregate market values of the properties;
- on each interest payment date, actual quarterly rental income is at least 120% of actual quarterly finance costs and prospective annual rental income is at least 120% of prospective annual finance costs; and
- if 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) exceeds 70% of the sum of the aggregate market value of the properties then the excess of rental income over finance costs must be paid to a cash collateral account and would therefore not be available for the general purposes of the Group.

The Group has complied with its financial covenants throughout the year. The Property Adviser continues to monitor the loan covenants and reports to Nationwide Building Society quarterly. Subject to property values in the Target Area remaining at current levels, the Directors have no reason to believe that any breaches of financial covenants will occur in the foreseeable future.

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.

The Group entered into fixed rate Loan Agreements with Nationwide Building Society for £138 million for a period of almost eight years expiring 20 December 2014 at a rate of 5.49%. As at 31 March 2008, the fair value of the interest rate swap was a liability of £4,257,460.

The bank loan arrangement fees amounted to £425,000. They have been deducted from the amount of the loan and are being amortised over the period of the loan.

	31 March 2008 £'000	31 March 2007 £'000
Loan drawn down	170,000	76,000
Loan arrangement fees	(425)	(190)
Amortisation of loan arrangement fees	54	7
	169,629	75,817
Fair value of interest rate swap	4,257	105
	173,886	75,922

15. Share capital

	31 March 2008 £'000	31 March 2007 £'000
Authorised:		
200,000,000 Ordinary Shares of 1p each	2,000	2,000
Issued and fully paid:		
122,500,002 Ordinary Shares of 1p each	1,225	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 1 pence 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 1 pence each).

On 27 March 2006, the Company raised gross proceeds of £122.5 million through the issue of 122,500,000 Ordinary 1 pence Shares at 100 pence each. All the Ordinary Shares were admitted to trading on AIM, a market operated by the London Stock Exchange on 27 March 2006.

By written resolution on 24 August 2007 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 year.

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.

16. Share premium

A written special resolution dated 11 January 2008 was submitted to the Royal Court in Guernsey (the "Court") seeking approval to cancel the share premium account and to credit the amount so cancelled as a distributable reserve. The cancellation of the share premium account was approved by the Court on 25 January 2008 and the amount standing to the credit of the share premium account was credited as a distributable reserve.

17. 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.

18. Net asset value per Ordinary Share

Basic

The net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £84,915,000 (31 March 2007: £120,229,000) and on 122,500,002 (31 March 2007: 122,500,002) Ordinary Shares in issue at the end of the year.

Fully-diluted

The 31 March 2008 price of the Ordinary Shares of 39.75p was below the exercise price of the Options (exercise price of 100.00p). Therefore, in accordance with IAS 33 "Earnings per share", there is no dilution (31 March 2007: based on a net asset value of £121,454,000 and on a weighted average number of Ordinary Shares of 123,725,002).

19. Reconciliation of net gain from operating activities to net cash inflow from operating activities

	1 April 2007 to 31 March 2008 £'000	1 March 2006 to 31 March 2007 £'000
Net gain from operating activities	1,062	4,035
Amortisation of loan arrangement fee	47	7
Change in receivables and prepayments	(850)	(4,759)
Change in other payables and accruals	4,414	3,485
Net cash inflow from operating activities	4,673	2,768

Notes to the Consolidated Financial Statements (continued)

20. Commitments and contingencies

There were no contracted capital commitments as at 31 March 2008.

21. 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 (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 to 31 March 2008 the option to subscribe for Ordinary Shares was not taken up by CSEL.

22. Segmental information

The Directors are of the opinion that the Group is engaged in four segments of business, being investment in offices, residential property, retail property and industrial property, which is carried out in one geographic area.

31 March 2008	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Unallocated £'000	Group £'000
Income Statement						
Rent receivable	2,863	382	5,921	6,197	–	15,363
Bank interest	12	–	9	5	353	379
Service charges receivable	851	–	1,307	277	–	2,435
Income	3,726	382	7,237	6,479	353	18,177
Expenses	(1,469)	(256)	(2,588)	(1,680)	(11,122)	(17,115)
Net gain/(loss) from operating activities	2,257	126	4,649	4,799	(10,769)	1,062
Movement in fair value of interest rate swap	–	–	–	–	(4,152)	(4,152)
Movement in unrealised gain/(loss) on revaluation of investment properties	(5,778)	(490)	(14,833)	(10,331)	–	(31,432)
Realised gain on sale of investment properties	–	–	–	599	–	599
Loss before taxation	(3,521)	(364)	(10,184)	(4,933)	(14,921)	(33,923)
Taxation	12	–	(23)	(155)	–	(166)
Loss for the year	(3,509)	(364)	(10,207)	(5,088)	(14,921)	(34,089)
Balance Sheet						
Investment property	45,415	8,540	95,800	100,010	–	249,765
Other assets	(4,358)	(80)	2,423	7,337	11,531	16,853
Assets	41,057	8,460	98,223	107,347	11,531	266,618
Liabilities	(1,317)	(69)	(1,986)	(2,365)	(175,966)	(181,703)
Net assets/(liabilities)	39,740	8,391	96,237	104,982	(164,435)	84,915

31 March 2007	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Unallocated £'000	Group £'000
Income Statement						
Rent receivable	1,221	237	664	1,566	–	3,688
Bank interest	–	–	–	–	2,797	2,797
Service charges receivable	349	6	57	–	–	412
Income	1,570	243	721	1,566	2,797	6,897
Expenses	(622)	(80)	(51)	(385)	(1,724)	(2,862)
Net gain from operating activities	948	163	670	1,181	1,073	4,035
Movement in fair value of interest rate swap	–	–	–	–	(105)	(105)
Unrealised gain/(loss) on revaluation of investment properties	1,477	(63)	(3,550)	1,929	–	(207)
Profit/(loss) before taxation	2,425	100	(2,880)	3,110	968	3,723
Taxation	(16)	(2)	(9)	(4)	–	(31)
Profit/(loss) for the period	2,409	98	(2,889)	3,106	968	3,692
Balance Sheet						
Investment property	49,650	8,500	106,075	72,350	–	236,575
Other assets	884	69	1,385	2,888	11,758	16,984
Assets	50,534	8,569	107,460	75,238	11,758	253,559
Liabilities	(1,359)	(146)	(21,620)	(28,605)	(81,600)	(133,330)
Net assets/(liabilities)	49,175	8,423	85,840	46,633	(69,842)	120,229

23. Related parties

The relationships between the Group and Rugby Asset Management Limited and Elysium Fund Management Limited are disclosed in *note 2*. 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, £63,932 (31 March 2007: £30,562) was payable to Elysium Fund Management Limited in respect of administration fees, and £675,838 (31 March 2007: £201,505) was payable to Rugby Asset Management Limited in respect of management fees.

The Directors are not aware of any ultimate controlling party.

Notes to the Consolidated Financial Statements (continued)

24. 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. No derivatives were in place during the period. 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.

The main risks arising from the Group's financial instruments are as follows:

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. Most fixed rate interest-bearing debt is not exposed to cash flow interest rate risk as 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 costs should debt be restructured or repaid early, although there are currently no plans to restructure debt or repay early. 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, other than overdrafts which are offset by cash balances, are under a £250 million loan facility with Nationwide Building Society. At 31 March 2008 a total of £170 million had been drawn on this facility. The loan carries interest at a margin of up to 0.65% per annum. Of the total amount drawn, £138 million (81%) is fixed until December 2014 at an average rate including margin of 6.1%. The balance is at a floating rate. Taking the average 3 month LIBOR for the year ended 31 March 2008 of 6.05%, the blended average rate payable on borrowings is 6.09% per annum.

The margin between the high and low of the 3 month LIBOR during the year ended 31 March 2008 is approximately 25%. On the assumption that the 3 month LIBOR follows this trend during the next year, the potential increase/decrease in interest (based on the £32 million floating element of the loan) is +/-£481,000, based on a starting rate at 31 March 2008 of 6.01%.

Assuming all other factors remain the same, in order for interest to affect the net asset value by 1%, the 3 month LIBOR rate would need to increase/decrease by 44% which is not considered likely.

The net cash and cash equivalents of £4.8 million (2007: £5.4 million) are also exposed to movements in interest rates, however, the income/expense generated from cash and cash equivalents is not considered material, therefore, a movement in interest rates would not have a material financial impact on the Group.

Other price risk

The Group's exposure to other price risk consists mainly of movements in the value of the Investment properties. The Board have contracted Rugby Asset Management Limited to provide up to date information regarding the market in which the properties are invested. The properties are independently valued bi-annually by property valuers CB Richard Ellis in order that the Board can respond to any adverse effects on a timely basis.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in connection with property leases, £4,680,000 (2007: £2,597,000), the investments of surplus cash, £4,826,000 (2007: £5,430,000) and transactions where the Group sells properties with an element of deferred consideration, £5,729,000 (2007: £4,467,000).

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.

As at the Balance sheet date the Directors considered all of the receivables to be fully recoverable at the amounts provided.

Liquidity risk

The Group has invested in investment properties, which, by their very nature, are illiquid. However, the Group maintains sufficient cash balances to meet its working capital requirements and has the option of drawing down further cash under the current loan facility (*note 14*) to finance further property purchases if required.

Risks of property ownership

Investments in property may be difficult, slow or impossible to realise. The Ordinary shares will be subject to the general risks incidental to the ownership of real or heritable property, including changes in the supply of or demand for competing investment properties in an area, changes in interest rates and the availability of mortgage funds, changes in property tax rates, changes in landlord/tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any properties owned by the Group will, therefore, depend on many factors beyond the control of the Group and there is no assurance that there will be either a ready market for any properties held by the Group or that such properties will be sold at a profit or will yield a positive cash flow.

Property investment risk

The performance of the Group could be adversely affected by a downturn in the property market in terms of capital value or weakening of rental markets. In the event of default by a tenant, the Group may suffer a rental shortfall and incur additional costs including legal expenses and costs of maintaining, insuring and re-letting the property. Any future property market recession could materially adversely affect the value of the properties.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as changes in its market value.

Rental income and the market value of properties are generally affected by overall conditions in the local economy, such as growth in GDP, employment trends, inflation and changes in interest rates. Changes in GDP may also impact employment levels, which in turn may impact demand for premises, especially for office space for commercial enterprises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Both rental income and property values may also be affected by other factors relevant to the real estate market, such as competition from other property owners and developers, the perceptions of prospective tenants on the attractiveness, convenience and safety of properties, the inability to collect rents because of bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair or re-lease space and the cost thereof, the cost of maintenance and insurance, and increased operating costs. In addition, the owner must meet certain significant expenditures, including operating expenses, even if the property is vacant.

Investments in property are relatively illiquid and more difficult to realise than investments in equities or bonds.

Notes to the Consolidated Financial Statements (continued)

25. Capital management policy and procedures

The Company's capital 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 Investment Manager, 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 need to buy back 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
- the 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 2008 the Company had a bank loan of £174 million (2007: £76 million). As disclosed on the Consolidated balance sheet the total equity holders funds are £84,915,000 (2007: £120,229,000).

26. Events after the Balance Sheet date

There were no material events after the balance sheet date that require disclosure at as 3 July 2008.

O TWELVE ESTATES LIMITED

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the second ANNUAL GENERAL MEETING of O TWELVE ESTATES LIMITED will be held at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 28 August 2008 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 2008.

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 Barnes, who offers himself for re-election, as a Director.

Ordinary Resolution 4

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

Ordinary Resolution 5

To approve the Company's investment strategy (in accordance with AIM Rules) as follows:

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

As special business:

Ordinary Resolution 6

That the Company be and is hereby generally and unconditionally authorised in accordance with The Companies (Purchase of Own Shares) Ordinance 1998 to make market purchases, as defined in that Ordinance, 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 2009, 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.

Special Resolution 1

That the Memorandum and Articles of Incorporation of the Company be and are hereby amended as follows:

1. Any reference in the Memorandum and Articles of Incorporation to:
 - (a) the "Memorandum of Association" shall be deemed to be a reference to the "Memorandum of Incorporation";
 - (b) the "Articles of Association" shall be deemed to be a reference to the "Articles of Incorporation";
 - (c) "The Companies (Guernsey) Law, 1994" or "The Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006" shall be deemed to be a reference to "The Companies (Guernsey) Law, 2008";
 - (d) a specific section or sections of The Companies (Guernsey) Law, 1994 shall be deemed to be a reference to the corresponding section or sections of The Companies (Guernsey) Law, 2008.
2. The Memorandum of Incorporation is amended by:
 - (a) deleting the existing clauses 3, 5, 6 and 7;
 - (b) inserting a new clause 3 as follows:

"The Company is a non-cellular company within the meaning of section 2(1) (c) of The Companies (Guernsey) Law, 2008."

(c) inserting a new clause 5 as follows:

“The Company may make or alter:

(A) any provision in the Memorandum relating to any matter mentioned in section 15(7) of The Companies (Guernsey) Law, 2008 by special resolution; and

(B) any other provision in the Memorandum in the manner prescribed by the Laws.”

(d) renumbering clause 8 as clause 6.

3. The Articles of Incorporation are amended by inserting the following new Article 153 immediately after Article 152:

“153. OVERRIDING PROVISIONS

Notwithstanding any other provision of these Articles:

(A) The standard articles of incorporation prescribed pursuant to the Laws are disapplied in respect of the Company.

(B) Where the Board has resolved to issue different classes of shares, the Board has the authority to issue an unlimited number of shares subject to the following:

(i) the authority of the Board to issue shares under this Article shall expire on the fifth anniversary of the incorporation of the Company unless the Members, by ordinary resolution, revoke that authority;

(ii) at or before the expiry of the fifth anniversary of incorporation, the Members may, by ordinary resolution, extend the power of the Board to issue shares under this Article for further periods, with each period of extension being for no more than five years (or such longer period as the Laws may then allow).

(C) Subject to the Laws a resolution in writing shall be as effective as if the same had been duly passed at a general meeting if:

(i) in the case of an ordinary resolution, it is signed by or on behalf of Members representing a simple majority of the total voting rights of Members eligible to vote on the resolution on the circulation date;

(ii) in the case of a special resolution, it is proposed as such and signed by or on behalf of Members representing not less than seventy five per cent of the total voting rights of Members eligible to vote on the resolution on the circulation date;

(iii) in the case of a resolution required by the Laws to be passed as a waiver resolution, it is proposed as such and signed by or on behalf of Members representing not less than ninety per cent of the total voting rights of Members eligible to vote on the resolution on the circulation date;

(iv) in the case of a resolution required by the Laws to be passed as a unanimous resolution, it is proposed as such and signed by or on behalf of all Members eligible to vote on the resolution on the circulation date.

(D) Any prohibition or limitation in the Articles on paying dividends otherwise than out of the profits of the Company or declaring only dividends justified by the profits of the Company shall be of no effect. The payment of a dividend out of the Company’s capital, share premium account or any capital reserve shall not be treated as a capital reduction for the purposes of the Articles.

(E) All Members are deemed to have agreed to accept communication from the Company by electronic means (including via the Company’s website) unless the Members notify the Company otherwise. Notice under this paragraph (E) must be in writing and signed by the Member and delivered to the Office or such other place as the Board directs.”

By order of the Board

Registered office:
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

Elysium Fund Management Limited, Secretary
3 July 2008

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 Association.

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 28 August 2008 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 2008.			
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 Barnes, who offers himself for re-election as a Director.			
Ordinary Resolution 4	To re-elect Mr Radford, who offers himself for re-election as a Director.			
Ordinary Resolution 5	To approve the Company's investment strategy in accordance with AIM Rules.			
Ordinary Resolution 6	To authorise the Company to buy back its own shares.			
Special Resolution 1	To amend the Company's Memorandum and Articles of Incorporation in accordance with the revised Companies (Guernsey) Law, 2008.			

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
First Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 6HJ

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
14 New Street
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
GY1 3JX
Guernsey

Tel: 01481 810100
Fax: 01481 810120
Email: elysium@elysiumfundman.com