

# O TWELVE ESTATES LIMITED

## RESULTS FOR THE PERIOD ENDED 31 MARCH 2007

### Highlights

- Successful issue of 122,500,002 Ordinary Shares in March 2006, raising gross proceeds of £122.5 million
- Net profit for the period to 31 March 2007 of £3.7 million, representing earnings per share of 3.01 pence
- Consolidated Net Asset Value of £120.2 million, or 98.15 pence per share
- Excellent progress in the Company's investment programme:
  - All proceeds raised during the Company's Admission and an additional £76 million of debt invested by 31 March 2007
  - Eighteen properties acquired during the year for a total of £236.8 million including expenses; purchase costs already substantially recovered with portfolio valued at the period end at £236.6 million
  - Four further assets acquired since the year end for a total of £40 million
  - Additional pipeline of prospective purchases
- Strong potential to create and enhance shareholder value from properties already acquired through active asset management
- Excellent prospects for rental and capital growth in the Group's core target areas
- Strengthened financial flexibility and firepower since the period end through an increase of £100 million in the Group's loan facility to £250 million
- Final dividend of 0.50 pence per share proposed, bringing the total dividend for the period to 1.00p per share.

### Commenting on the results, Phillip Rhodes, Chairman of O Twelve, said:

"We made strong progress during the period from launch to 31 March 2007. At 30 September 2006 56% of the proceeds raised during the Company's Admission had been invested and by 31 March 2007 the Company had invested all of the remaining proceeds and an additional £76 million of debt. This progress has continued in the current financial year and, since the period end, the Company has increased its loan facility by £100 million to £250 million and has continued to expand its portfolio with the purchases of four properties for £40 million. A number of further acquisitions in the target area are under consideration.

"The Company has had a successful first year and is building an attractive diversified portfolio with excellent potential for rental and capital growth. We are confident that, with further opportunities targeted, the Group will have established a portfolio of over £300 million by the autumn."

### David Tye of Rugby Asset Management added:

"Only one year after its Admission, O Twelve Estates is already well established as a major investor within its Target Area. The aim at launch was to have fully invested the initial equity by 31 March 2007. This was achieved some months ago and, with the assistance of a loan facility of up to £250 million, we are confident of achieving a portfolio of over £300 million by September 2007.

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

"East London remains a particularly exciting area for investment and growth. The target area includes thirteen of London's easterly boroughs, where one third of the capital's population growth and 40% of its employment growth is expected to occur by 2016. With the rise of Canary Wharf as the new City, and the Olympics acting as a catalyst for much of the area's improvements, we continue to believe that now is the right time to be investing here so as to enjoy the uplift in values in the run up to 2012."

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## CHAIRMAN'S STATEMENT

I am pleased to present the first results of the Company for the period ended 31 March 2007.

The Company was incorporated on 1 March 2006. On 27 March 2006 the Company raised gross proceeds of £122.5 million (net proceeds of £117.2 million) through the issue of 122.5 million Ordinary 1 pence Shares at 100.00 pence each with the Ordinary Shares being admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The Company's objective is to 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.

### Results

As detailed in the following statements, your company made strong progress during the period from launch to 31 March 2007. At 30 September 2006 56% of the proceeds raised from the Company's Admission had been invested and by 31 March 2007 the Company had invested all of the remaining proceeds together with an additional £76 million of debt.

The Group achieved a net profit for the period to 31 March 2007 of £3.7 million representing earnings per Ordinary Share of 3.01 pence. The consolidated net asset value at 31 March 2007 was £120.2 million (98.15 pence per Ordinary Share).

At 31 March 2007, the Group had built up a property investment portfolio which was valued by CB Richard Ellis at £237 million. Details of these properties are set out in the report by Rugby Asset Management, our property adviser, below. It is pleasing to report that this valuation of our recently acquired portfolio has substantially recovered the stamp duty and other purchase costs.

### Dividends

The longer-term focus of the Group is the delivery of capital growth for Shareholders and your Board is therefore using borrowings to augment the initial equity raised in order to assemble a substantial, diverse 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 grow as a result of both rental growth generally in the target area and the completion and letting of properties initially acquired with vacant space or for refurbishment.

In this initial period the Company received significant bank interest from the funds awaiting investment in properties so, on 15 December 2006, your Board declared an interim dividend for the period ended 31 March 2007 of 0.50 pence per Ordinary Share. This was paid to Shareholders on 19 January 2007. Therefore, the Board proposes a final dividend of 0.50 pence per Ordinary Share, bringing the total in respect of the period to 1.00 pence per Ordinary Share.

### Financing

On 20 December 2006, the Group entered into an eight year £150 million loan facility agreement with Nationwide Building Society for the purpose of building up the Group's property portfolio. With further acquisitions planned and made, on 12 June 2007 this loan facility was increased to £250 million. The Board expects the Group's borrowings to stay comfortably within the 75% loan to value covenant agreed with the lender.

The facility bears interest at a floating rate but, in order to manage the interest rate risk effectively, on 1 February 2007 the Group entered into a fixed rate loan agreement with Nationwide Building Society for £30 million for a period of almost eight years expiring 20 December 2014 at a rate of 5.49%. As the amount of borrowings increases, it is the Board's intention to enter into additional fixed rate arrangements.

### Prospects

The current financial year has started well. Since the period end the Group has continued to expand its portfolio with the purchases of four properties for £40 million and has increased its total available loan facility by £100 million to £250 million. A number of further acquisitions in the target area are under consideration.

Your company has had a successful first year and is building an attractive diversified portfolio with excellent potential for rental and capital growth. The Board is confident that, with further opportunities targeted, the Group will have established a portfolio of over £300 million by the autumn.

Phillip Rhodes  
Chairman  
10 July 2007

## 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 Company and to negotiate on its behalf. We undertake, under delegated authority from the Board, on a day to day basis all aspects of assembling, managing and financing O Twelve's property portfolio.

### A successful start

We are pleased to report a successful first year in establishing the property investment portfolio in O Twelve's target area. The Company's objective is to build up a 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 is the potential for rental and capital value growth.

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

### Properties acquired

Over the first year the Group acquired eighteen properties at a cost, including acquisition expenses, of £236.8 million. These properties were valued by CB Richard Ellis, as at 31 March 2007, at £236.6 million. The increase in market value of the properties has substantially covered the acquisition costs. The aggregate passing rental income on these properties is currently £12.2 million, with an Expected Rental Value of £14.5 million following planned capital expenditure of approximately £3.6 million in the refurbishment of Redwing Court, Pedham Place and QED. 27% of the rental income is from leases expiring within the next five years, 53% from leases expiring between five years and fourteen years, and the remaining 20% from leases with over fourteen years unexpired.

### Industrial and distribution

Western Avenue, Thurrock 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.

Unit B, Gascoigne Road, Barking 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.

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

Bakers Court Industrial Estate, Basildon comprises 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 on the A132 Southend arterial road.

Unit Q, Queen Elizabeth Distribution Centre ("QED"), Thurrock is a recently built distribution warehouse of 112,000 sq ft situated on the Purfleet bypass close to the Dartford river crossing with junction 30/31 on the M25 motorway within one mile to the east and the recently improved A13 within a mile to the west. The building has been divided into two 56,000 sq ft units, one of which has been let to Harrow Green Group until 2021. There has been strong interest in the remaining unit and we expect this to be let by the end of the year.

Pedham Place, Swanley is a multi-let industrial estate comprising 266,000 sq ft located in a prominent position on the M20/M25 interchange at Swanley, Kent. Five of the eight units, built in the late 1970s, were vacant on acquisition. These will be refurbished, split into smaller units where appropriate and let.

### Offices

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

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 until 2013.

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

Inspira House, Welwyn Garden City lies less than a mile from the town centre of Welwyn Garden City, which is located at junction four of the A1, seven 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 at least 2011.

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

### **Retail & shopping centres**

Baytree Shopping Centre, Brentwood was acquired through the purchase of Halladale (Brentwood) Limited, a single asset company. The recently developed Baytree is the only managed shopping centre in Brentwood and comprises 133,000 sq ft of retail accommodation, accounting for some 22% of the town's retail offer. The main anchor tenants include Wilkinsons, Sports World, Somerfield and Fitness First; WH Smith, Birthdays and Holland and Barratt are also represented.

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 in its entirety to Barclays Bank Plc until 2026.

George Yard Shopping Centre, Braintree is a modern shopping centre in the heart of this 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, Cheltenham Star Co-Op, Boots, Superdrug, WH Smith 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 including Boots, Wilkinsons, Peacocks, Birthdays, Bon Marche, Superdrug and the Post Office.

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 offers the lowest rental levels for similar retail warehousing within the M25, indicating excellent rental growth prospects. Since purchase the only vacancy of the three units has been let to Smyths Toys (UK) Ltd; the remaining units are let to Halfords and Staples.

### **Residential**

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

### **Going forward**

O Twelve Estates now holds what we believe to be an excellent, diverse portfolio of properties with rich potential for rental growth and capital value enhancement over the next few years.

Since 31 March 2007, a further £40 million has been committed in acquiring the following properties:

Mill River Trading Estate, Enfield is a multi-let industrial estate of approximately 95,000 sq ft and comprises three units fully let to five tenants. 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 asset management opportunities to drive rents forward over the next year.

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 off Junction four of the M20. The estate has excellent access to both London and the M25 and the continent via Dover and the Channel Ports.

Alfreds Way, Barking is a site of approximately 2.2 acres situated on the southern side of the A13 close to its intersection with the North Circular road. The site has been acquired with vacant possession as the Group's first direct development, and a number of different schemes are being considered for this prominent holding.

These purchases increase the industrial element to 39% of the current portfolio, with retail proportionately reduced to

40%, offices to 18% and residential to 3%. It is our intention to make further acquisitions in both the industrial and office sectors.

Further significant acquisitions are under consideration and we are confident that we will continue to source further suitable properties with similar growth potential.

The Company itself is now well established as a major investor within its target area. The aim at the launch of O Twelve Estates was to have fully invested the initial equity by 31 March 2007. This was achieved some months ago and, with the assistance of a loan facility of up to £250 million with Nationwide Building Society, we are confident of achieving a portfolio of over £300 million by September 2007.

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

East London remains a particularly exciting area for investment and growth. The target area includes thirteen of London's easterly boroughs, where one third of the capital's population growth and 40% of its employment growth is expected to occur by 2016. With the rise of Canary Wharf as the new City, and the Olympics acting as a catalyst for much of the area's improvements, we continue to believe that now is the right time to be investing here so as to benefit from the uplift in values in the run up to 2012.

David Tye  
Andrew Wilson

Rugby Asset Management Limited  
10 July 2007

## PROPERTIES ACQUIRED IN THE PERIOD TO 31 MARCH 2007

Property	Type	Valuation Band at
		31 March 2007 £ m
Solar House, Stratford	Office	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	0 – 5
Bakers Court, Basildon	Industrial	0 – 5
Barratt Industrial Estate, Bow	Industrial	0 – 5
Pedham Place, Swanley	Industrial	25 – 30
Western Avenue, Thurrock	Industrial	10 – 15
QED, Thurrock	Distribution warehousing	10 – 15
Gascoigne Road, Barking	Distribution warehousing	10 – 15
75 High Street, Brentwood	Retail	0 – 5
214/216 Heathway, Dagenham	Retail	0 – 5
Grove Farm, Chadwell Heath	Retail park	10 – 15
Baytree Shopping Centre, Brentwood	Shopping centre	40 – 45
George Yard, Braintree	Shopping centre	25 – 30
The Mall, Dagenham	Shopping centre	15 – 20
Salway Place, Stratford	Residential	5 – 10

## SECTOR SPLIT BY VALUE – 31 MARCH 2007

Retail	44 %
Industrial	31 %
Office	21 %
Residential	4 %

## REVERSION BY SECTOR – 31 MARCH 2007

	Rental income p.a.	
	Current income / £m	Rental value / £m
Retail	5.2	6.0
Industrial	3.9	4.6
Office	2.7	3.5
Residential	0.4	0.4

## RENTAL VALUE ANALYSIS – 31 MARCH 2007

	£m
Current annualised income	12.2
Rent free periods	0.3
Available for letting	1.3
Reversions	0.7
	-----
Rental value	14.5
	-----

## INCOME EXPIRY PROFILE – 31 MARCH 2007

< 5 years	27 %
5 – 14 years	53 %
> 14 years	20 %

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the period ended 31 March 2007.

**CONSOLIDATED INCOME STATEMENT**  
for the period from 1 March 2006 to 31 March 2007

	<i>Note</i>	<i>1 March 2006 to 31 March 2007 £'000</i>
<b>Income</b>		
Rent receivable		3,688
Bank interest		2,797
Service charges receivable		412
		-----
<b>Total income</b>		<b>6,897</b>
		-----
<b>Expenses</b>		
Administration fees	2	(138)
Service charges payable		(412)
Management fees	2	(538)
Interest payable and similar charges	5	(878)
Other operating expenses	3	(1,001)
		-----
<b>Total expenses</b>		<b>(2,967)</b>
		-----
<b>Net gain from operating activities</b>		<b>3,930</b>
		-----
<b>Investment loss</b>		
Unrealised loss on revaluation of investment properties	9	(207)
		-----
<b>Profit before taxation</b>		<b>3,723</b>
Taxation	6	(31)
		-----
<b>Profit for the period attributable to Equity Shareholders</b>		<b>3,692</b>
		-----
<b>Earnings per Ordinary share – basic</b>	7	<b>3.01p</b>
<b>Earnings per Ordinary share – fully diluted</b>	7	<b>2.98p</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the period from 1 March 2006 to 31 March 2007

	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Other reserves £'000</i>	<i>Total £'000</i>
Gross 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)
		-----	-----	-----	-----
<b>Net assets at 31 March 2007</b>		<b>1,225</b>	<b>115,925</b>	<b>3,079</b>	<b>120,229</b>
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**CONSOLIDATED BALANCE SHEET**  
as at 31 March 2007

	<i>Note</i>	<i>31 March 2007 £'000</i>
<b>Non-current assets</b>		
Investment property	9	236,575
		-----
<b>Current assets</b>		
Debtors and prepayments	11	9,437
Cash and cash equivalents		7,547
		-----
		16,984
		-----
<b>Total assets</b>		<b>253,559</b>
		-----
<b>Current liabilities</b>		
Overdrafts		(2,117)
Creditors and accruals	12	(55,291)
		-----
		(57,408)
		-----
<b>Non-current liabilities</b>		
Bank loan	13	(75,922)
		-----
<b>Total liabilities</b>		<b>(133,330)</b>
		-----
<b>Net assets</b>		<b>120,229</b>
		-----
<b>Capital and reserves</b>		
Called-up share capital	14	1,225
Share premium		115,925
Other reserves		3,079
		-----
<b>Total equity shareholders' funds</b>		<b>120,229</b>
		-----
<b>Net Asset Value per Ordinary Share - basic</b>	<i>16</i>	<b>98.15p</b>
<b>Net Asset Value per Ordinary Share - fully diluted</b>	<i>16</i>	<b>98.16p</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
**for the period from 1 March 2006 to 31 March 2007**

	<i>Note</i>	<i>1 March 2006 to 31 March 2007 £'000</i>
<b>Operating activities</b>		
Rent received		3,108
Bank interest received		2,606
Other income received		412
Loan interest and similar charges paid		(285)
Management fee paid		(502)
Administration fee paid		(107)
Other expenses paid		(2,576)
		-----
<b>Net cash inflow from operating activities</b>	<i>17</i>	<b>2,656</b>
<b>Investing activities</b>		
Purchase of/additions to investment property		(189,763)
		-----
<b>Net cash outflow from investing activities</b>		<b>(189,763)</b>
<b>Financing activities</b>		
Dividend paid on Ordinary Shares		(613)
Issue of shares		122,500
Share issue costs		(5,350)
Loan proceeds	<i>13</i>	76,000
		-----
<b>Net cash inflow from financing activities</b>		<b>192,537</b>
		-----
<b>Increase in cash and cash equivalents</b>		<b>5,430</b>
		-----
Cash and cash equivalents at beginning of period		-
Increase in cash and cash equivalents		5,430
		-----
<b>Cash and cash equivalents at end of period</b> <sup>[1]</sup>		<b>5,430</b>
		-----
[1] Cash and cash equivalents at the end of the period comprise:		
Cash and cash equivalents		7,547
Overdrafts		(2,117)
		-----
		<b>5,430</b>
		-----

**NOTES TO THE RESULTS**  
**for the period from 1 March 2006 to 31 March 2007**

**1. Significant accounting policies**

**a) Statement of compliance**

These results have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee and applicable legal and regulatory requirements of Guernsey Law and reflect the following policies, which have been adopted and applied consistently.

**b) Basis of preparation**

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

The accounting policies have been consistently applied by the Group.

**c) Basis of consolidation**

The Group results consolidate the results of the Company and its subsidiary undertakings drawn up to 31 March 2007. The results of the subsidiary undertakings are accounted for in the Consolidated Income Statement from the effective date of acquisition.

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 results incorporate the net assets and liabilities of the Group and its subsidiaries at the balance sheet date and their results for the period 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 costs 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 Company's investment management and administration fees, finance costs and all other expenses (with the exception of share issue costs, which are charged directly to the share premium account) are charged through the Consolidated Income Statement in the period in which they are incurred.

**g) 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 Directors intend to conduct the Group's affairs such that it continues to remain eligible for exemption from Guernsey tax.

Investment income is recorded gross of applicable taxes and tax expense is recognised 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 issued by the Royal Institute of Chartered Surveyors in the United Kingdom in accordance with IAS 40. 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 market.

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 2007.

**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 period end.

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

**k) Deferred taxation**

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

**l) Bank loan arrangement fees**

Bank loan arrangement fees are deducted from the carrying amounts of the loan in accordance with IAS 39 and amortised over the period of the loan.

**m) Non-current liabilities**

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

**n) Leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, 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) New standards and interpretations not applied**

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)	1 January 2007
IFRS 7	Financial Instruments: Disclosure	1 January 2007
IFRS 8	Operating Segments	1 January 2008

*International Financial Interpretations Committee (IFRIC)*

IFRIC 7	Applying the Restatement Approach Under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008

The Directors have chosen not to early adopt the above standards and interpretations but they 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 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. 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 (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 is entitled to a fee from the Company at a rate of 0.025% 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.

Collins Stewart Fund Management Limited ("CSFM") was the original administrator and secretary when the Company was launched. However, on 20 October 2006 Elysium purchased all of the business of CSFM and on 27 October 2006 the Administration Agreement was novated across from CSFM to Elysium. The terms of the Administration Agreement are the same as the terms of the previous agreement with CSFM.

**3. Other operating expenses**

	<i>1 March 2006 to 31 March 2007 £'000</i>
Directors' fees ( <i>note 4</i> )	217
Custodian and settlement fees	19
Auditors' remuneration: - audit services	86
- other professional services	9
Nominated adviser fees	40
Registrar fees	10
Aborted purchase	56
Irrecoverable property costs	127
Other expenses	437
	----- 1,001 -----

**4. Directors' fees**

	<i>1 March 2006 to 31 March 2007 £'000</i>
P Rhodes	75
H Stanton	43
P Radford	33
Q Spicer	33
R Barnes	33
	----- 217 -----

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

## 5. Interest payable and similar charges

	<i>1 March 2006 to 31 March 2007 £'000</i>
Bank loan interest payable	766
Amortisation of bank loan arrangement fees (note 13)	7
Movement in fair value of fixed rate tranche of loan	105
	-----
	878
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## 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 Directors intend to conduct the Group's affairs such that it continues to remain eligible for exemption from Guernsey tax.

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

## 7. Earnings per share

The earnings per Ordinary Share is based on a gain of £3,692,000 and on a weighted average number of 122,500,002 Ordinary Shares in issue.

The average price of the Ordinary Shares, of 102.76 pence, during the period was above the exercise price of the Options (exercise price of 100.00 pence). Therefore, the fully diluted earnings per share is based on a gain of £3,692,000 and on a weighted average number of 123,725,002.

## 8. Dividends

	<i>1 March 2006 to 31 March 2007 £'000</i>
First interim dividend paid of 0.50 pence per Ordinary Share	613
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On 10 July 2007 the Directors proposed a final interim dividend for the period of 0.50 pence per Ordinary Share.	

## 9. Freehold and leasehold investment property

	<i>Freehold 1 March 2006 to 31 March 2007 £'000</i>	<i>Leasehold 1 March 2006 to 31 March 2007 £'000</i>	<i>Total 1 March 2006 to 31 March 2007 £'000</i>
<b>Group only</b>			
Purchases at cost	186,135	50,647	236,782
Movement in unrealised appreciation	1,815	(2,022)	(207)
	-----	-----	-----
At 31 March 2007	187,950	48,625	236,575
	-----	-----	-----

At the period end £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.

See note 1(i) regarding the classification, recognition, measurement and derecognition of investment properties.

The freehold properties were valued by qualified professional valuers working for CB Richard Ellis ("CBRE"), international property appraisers, at open market value as at 31 March 2007 in accordance with the latest edition of the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors.

## 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 2007 were as follows:

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

O Twelve Redwing Limited, O Twelve Properties Limited and O Twelve NBS Limited are directly owned by the Company and Tabletop Estates is wholly-owned by O Twelve Redwing Limited. All other companies are wholly-owned by O Twelve NBS Limited.

[1] Incorporated and registered in the United Kingdom.

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

### Acquisition

On 5 January 2007 O Twelve Redwing Limited purchased Tabletop Estates Limited from Halladale Ventures Limited for £29,710,363. At acquisition, Tabletop Estates Limited (formerly Halladale (Brentwood) Limited) owned Baytree Shopping Centre, Brentwood, which was subsequently transferred to O Twelve Baytree Limited.

## 11. Debtors and prepayments

	<i>Group</i> <i>31 March 2007</i> <i>£'000</i>
Deposits with solicitors	4,467
Due from agents	642
Rent due	1,744
Recoverable property costs	211
Bank interest receivable	189
Loan interest receivable from subsidiary undertakings	-
VAT recoverable	1,611
Other debtors and prepayments	573
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	9,437
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In the opinion of the Directors, all debtors and prepayments are recoverable at the stated value.

## 12. Creditors and accruals

	<i>Group</i> <i>31 March 2007</i> <i>£'000</i>
Accrued property costs <sup>[1]</sup>	48,593
Rent received in advance	1,806

Interest payable	671
Amount due to Inland Revenue <sup>[2]</sup>	3,468
Other creditors and accruals	753
	-----
	55,291
	-----

[1] Accrued property costs relate to commitments in respect of the purchase of properties.

[2] The amount due to the Inland Revenue comprises:

Income Tax due on rental income	31
Tax on inherent gain arising on the acquisition of Tabletop Estates Limited	3,437
	-----
	3,468
	-----

### 13. Bank Loan

On 20 December 2006 the Group entered into an eight year £150 million Loan Facility Agreement with Nationwide Building Society for the purpose of acquiring and refinancing the Group's property portfolio in England. On 12 June 2007 the loan facility was increased to £250 million. 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;
- 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; and
- 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.

The Group has complied with its financial covenants throughout the period. 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.

On 1 February 2007 the Group entered into a fixed rate Loan Agreement with Nationwide Building Society for £30,000,000 for a period of almost eight years expiring 20 December 2014 at a rate of 5.49%. As at 31 March 2007, the fair value of the fixed rate tranche of the loan was a liability of £104,756.

The bank loan arrangement fees amounted to £190,000. They have been deducted from the amount of the loan and amortised over the period of the loan.

	<i>31 March 2007</i>
	<i>£'000</i>
Loan drawn down	76,000
Loan arrangement fees	(190)
Amortisation of loan arrangement fees in the period	7
Fair value of fixed rate tranche of loan	105
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**14. Called up share capital**

	<i>31 March 2007</i>
	<i>£'000</i>
<b>Authorised:</b>	
200,000,000 Ordinary Shares of 1p each	2,000
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<b>Issued and fully paid:</b>	
122,500,002 Ordinary Shares of 1p each	1,225
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The authorised share capital on incorporation of the Company on 1 March 2006 was £1,500,000 (divided into 150 million Ordinary Shares of 1p each). By written resolution on 21 March 2006 the Company resolved to increase the authorised share capital of the Company to £2,000,000 (divided into 200 million Ordinary Shares of 1p each).

On 27 March 2006, the Company raised gross proceeds of £122.5 million through the issue of 122,500,000 Ordinary Shares of 1p each at 100p each. All the Ordinary Shares were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange on 27 March 2006.

By written resolution on 21 March 2006 the Company resolved to authorise it to utilise the distributable reserves to buy back up to 14.99% of the Ordinary Shares issued at the Placing for cancellation. No shares were purchased for cancellation during the period. The Directors are seeking to renew this authority at the forthcoming Annual General Meeting.

The current authority to repurchase Ordinary Shares expires at the conclusion of the Annual General Meeting of the Company, scheduled to be held on 24 August 2007. The Board has included the appropriate resolution seeking the renewal of this authority as it believes that it is beneficial for the Company to maintain flexibility in its capital structure. In addition, a further resolution enabling the Company to purchase up to 10% of the Ordinary Shares in issue, and hold them as treasury shares, will be proposed at the forthcoming Annual General Meeting. The ability for Guernsey registered companies to make use of the treasury share facility has only become possible since May 2006, following the introduction of The Companies (Purchase of Own Shares) (Treasury Shares) Ordinance 2006. With these measures your Board will have 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.

**15. 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 the 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.

**16. 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 £120,229,000 and on 122,500,002 Ordinary Shares in issue at the end of the period.

*Fully-diluted*

The 31 March 2007 price of the Ordinary Shares, of 108.00p, was above the exercise price of the Options (exercise price of 100.00p). Therefore, the fully diluted net asset value per share is based on net assets of £121,454,000 and on a weighted average number of 123,725,002.

