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**REO SECURITIES LIMITED**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM DATE OF INCORPORATION ON  
27 APRIL 2007 TO 31 DECEMBER 2007**

***REGISTERED NUMBER: 97292***

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## TABLE OF CONTENTS

	Page
General Information	1
Directors Report	2
Statement of Directors' Responsibilities	3
Independent Auditors' Report	4-5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8

## **REO SECURITIES LIMITED**

### **GENERAL INFORMATION**

<b>Directors</b>	John P Jenkinson Richard J Barrett Martin W Richardson Keith A Jenkins Garth P D Milne Raymond Horney Guy W Leech
<b>Registered Office</b>	Whiteley Chambers Don Street St Helier Jersey JE4 9WG
<b>Administrator, secretary and registered office</b>	Ogier Fund Administration (Jersey) Limited Whiteley Chambers Don Street St. Helier Jersey JE4 9WG
<b>Investment Advisor</b>	Treasury Holdings Connaught House 1 Burlington Road Dublin 4 Ireland
<b>Legal Advisors in Jersey</b>	Mourants 22 Grenville Street St Helier Jersey JE4 8PX
<b>Legal Advisors in England</b>	Stephenson Harwood One St Paul's Churchyard London EC4M 8SH
<b>Auditor</b>	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2

## **REO SECURITIES LIMITED**

### **DIRECTORS' REPORT**

The directors submit their report and the audited financial statements for the period from date of incorporation on 27 April 2007 to 31 December 2007.

#### **Activities**

REO Securities Limited was incorporated for the purpose of facilitating a scheme of arrangement to cancel the Zero Dividend Preference (ZDP) shares in REO Securities Limited and to issue New ZDP shares on a one for one basis to the existing shareholders. This transaction completed in February 2008 (see note 6 for further details). The company was dormant for the year ended 31 December 2007.

#### **Events subsequent to the year end**

Details of subsequent events are set out in note 6.

#### **Results and Dividend**

The results for the period are set out on page 6.

#### **Directors**

The present membership of the Board is set out on page 1. On 27 April 2007 John P Jenkinson, Richard J Barrett, Martin W Richardson, Keith A Jenkins, Garth P D Milne, Raymond Horney, David O Moon and Guy W Leech were appointed as directors of the company. David Moon resigned as director on 11 December 2007.

#### **Registered Office**

The Company's registered office is located at Whitely Chambers, Don Street, St Helier, Jersey JE4 9WG.

#### **Administrator**

During the period Ogier Fund Administration (Jersey) Limited was appointed as Administrator

#### **Secretary**

On 27 April 2007 Aztec Financial Services (Jersey) Limited was appointed as Company Secretary. On 30 September 2007 Aztec Financial Services (Jersey) Limited resigned as Company Secretary and Ogier Fund Administration (Jersey) Limited was appointed with effect from 1 October 2007.

#### **Auditors**

During the period KPMG Chartered Accountants were appointed as auditors.

#### **Annual General Meeting ('AGM')**

Notice is hereby given that the AGM will be held on 11 June 2008

By Order of the board



Keith Jenkins  
Director



Martin Richardson  
Director

Dated: 8 May 2008

Jersey

## **REO SECURITIES LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' report and the Financial Statements in accordance with applicable laws and regulations.

Jersey Company Law requires the Directors to prepare financial statements for each financial period in accordance with the generally accepted accounting principals and which give a true and fair view of the state of the Group's affairs at the financial year end and of the results for the year. Under that law, the Directors have elected to prepare these financial statements in accordance with UK Accounting Standards. In preparing these financial statements, the Directors have selected what they consider to be suitable accounting policies and have applied them consistently. They have made judgements and estimates which they believe are reasonable and prudent and have followed all applicable accounting standards. They are also required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business for the foreseeable future.

The directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 (as amended). They are also responsible for safeguarding the assets of the Group and Company and hence for the prevention and detection of fraud and other irregularities.

The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports to regulators as well as to information required to be presented by statutory requirements.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REO SECURITIES LIMITED**

We have audited the financial statements of REO Securities Limited for the period from 27 April 2007 to 31 December 2007 which comprises the Profit and Loss Account and Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. 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 auditors' 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 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 independent auditors**

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for preparation of the financial statements in accordance with applicable Jersey law and accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in England and Wales (Generally Accepted Accounting Practice in the United Kingdom).

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

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report 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 the Directors' Report accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 judgements 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REO SECURITIES LIMITED**  
(continued)


**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2007 and of its result for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.



*Chartered Accountants*  
*Registered Auditor*



2008

## **REO SECURITIES LIMITED**

### **PROFIT AND LOSS ACCOUNT**

**For the period from date of incorporation on 27 April 2007 to 31 December 2007**

During the period, the company has not traded and has received no income and incurred no expenditure. Consequently, during the period the company has made neither a profit nor a loss. Additionally, the company has no other gains and losses or any cashflows during the period.

The company had no recognised gains or losses in the financial period and accordingly no statement of total recognised gains or losses is presented.

The financial statements which include the notes on page 8-9 were approved by the board on 8 May 2008.

**REO SECURITIES LIMITED**

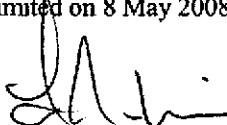
**BALANCE SHEET**

As at 31 December 2007

	Notes	31 December 2007 £
<b>CURRENT ASSETS</b>		
Other debtors	3	<u>2</u>
<b>NET ASSETS</b>		<u><u>2</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	4	<u>2</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u><u>2</u></u>

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 6 to 9 were approved by the board of directors of REO Securities Limited on 8 May 2008 and signed on its behalf by:



Keith Jenkins  
Director



Martin Richardson  
Director

## REO SECURITIES LIMITED

### NOTES

*forming part of the financial statements*

#### 1. Accounting Policies/Basis of Preparation

The financial statements for the period are prepared in accordance with the Companies (Jersey) Law 1991 (as amended), Generally Accepted Accounting Standards in the UK (UK GAAP) and under the historical cost convention.

#### 2 Statutory and other information

Audit and accounting fees were paid by the company's parent undertaking in the current year.

#### 3 Debtors: amounts falling due within one year

	2007 £
Amounts due by parent undertaking	<u>2</u>

All amounts fall due within one year. The amount due from parent undertaking is repayable on demand and is non interest bearing.

#### 4 Called up share capital

	2007 £
Authorised	
1,000 ordinary shares of £1	1,000
60,000,000 ZDP shares of £0.001	60,000
	<u>61,000</u>
Allotted, called up and paid in full	
2 ordinary shares of £1	<u>2</u>

#### 5. Group membership

Real Estate Opportunities Limited owns 100% of the ordinary issued shares of £1.

## REO SECURITIES LIMITED

### NOTES

*forming part of the financial statements (continued)*

#### 6. Post Balance Sheet Events

On 18 February 2008 the company was listed on the London Stock Exchange and 57,755,782 New ZDP shares were issued at 0.001p per New ZDP share. These New ZDP shares were issued on a one for one basis in exchange for the cancelled ZDP shares in REO Securities Limited, the holding company of REO Securities Limited. Accordingly, the proposed authorised, issued and fully paid share capital of REO Securities Limited is as follows:

	Authorised		Issued and fully Paid	
	Number	Nominal value	Number	Nominal value
New ZDP Shares	60,000,000	£600	57,755,782	£577.56
Ordinary Shares	1,000	£1,000	2	£2

The New ZDP Shares carry no right to receive dividends out of revenue or any other profits of REO Securities Limited. The ordinary shares carry the right to receive the profits of REO Securities (including accumulated revenue reserves) available for distribution.

On winding up of REO Securities Limited on 31 May 2011, the holders of the New ZDP Shares will be paid an amount equal to 100p per New ZDP Share, as increased each day from 22 June 2001 up to and including 31 May 2011 at the daily compound rate, which results in a final entitlement of 235.51p on 31 May 2011.

The holders of New ZDP Shares shall not have the right to attend or vote at any general meeting of REO Securities Limited unless the business of the meeting includes any resolution to vary, modify or abrogate any of the special rights attached to the New ZDP Shares. Where holders of New ZDP Shares are entitled to vote, every such holder present shall have one vote in respect of every New ZDP Share held by him. The holders of the ordinary shares shall have the right to attend and vote at general meetings of REO Securities Limited.

7. The financial statements were approved on 8 May 2008.