

Report of the Directors and
Financial Statements
for the Year Ended 5 April 2006
for
Martin's Properties (Chelsea) Limited

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Martin's Properties (Chelsea) Limited

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for the Year Ended 5 April 2006

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Martin's Properties (Chelsea) Limited

Company Information
for the Year Ended 5 April 2006

DIRECTORS:

P G Martin
P A G Martin
L P Burbridge
E C Carlton-Smith

SECRETARY:

A M Burbridge

REGISTERED OFFICE:

36 Walpole Street
Chelsea
London
SW3 4QS

REGISTERED NUMBER:

00533856 (England and Wales)

AUDITORS:

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Martin's Properties (Chelsea) Limited

Report of the Directors
for the Year Ended 5 April 2006

The directors present their report with the financial statements of the company for the year ended 5 April 2006.

PRINCIPAL ACTIVITY

The principal activity of the company continued to be property management, development and maintenance.

DIRECTORS

The directors during the year under review were:

P G Martin
P A G Martin
L P Burbridge
E C Carlton-Smith
T H Martin (resigned 7.4.05)

The beneficial interests of the directors holding office on 5 April 2006 in the issued share capital of the company were as follows:

	5.4.06	6.4.05
Ordinary £1 shares		
P G Martin	415	415
P A G Martin	1	1
L P Burbridge	-	-
E C Carlton-Smith	-	-

P G Martin and L P Burbridge are trustees of the G H Martin Family Settlement and K H Martin Family Settlement, which jointly own 834 shares in the company.

CHARITABLE CONTRIBUTIONS

	2006 £	2005 £
During the year the company made the following payments:		
Charitable donations	-	300

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Martin's Properties (Chelsea) Limited

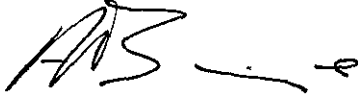
Report of the Directors
for the Year Ended 5 April 2006

AUDITORS

On 1 January 2007, Pridie Brewster transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 1 January 2007. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

A handwritten signature in dark ink, appearing to be 'A M Burbridge', followed by a horizontal line and a small flourish.

A M Burbridge
Secretary

Date: 26/2/7

Report of the Independent Auditors to the Members of
Martin's Properties (Chelsea) Limited

We have audited the financial statements of Martin's Properties (Chelsea) Limited for the year ended 5 April 2006 which comprise the profit and loss account, the 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 Section 235 of the Companies Act 1985. 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 the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

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 Act 1985. We also report to you whether in our opinion information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report 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.

Report of the Independent Auditors to the Members of
Martin's Properties (Chelsea) Limited

Qualified opinion arising from disagreement over accounting treatment

As explained in Note 4, investment properties totalling £24,776,346 are included on the balance sheet at valuation as at the previous year end. This is not in accordance with the Financial Reporting Standard for Smaller Entities which states that open market value should be used at the year end. We have been unable to quantify the effect on the balance sheet of the company of this non-compliance.

Except for the financial effect on the balance sheet of not including investment properties at their open market value, in our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 5 April 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PKF(UK) LLP

London, UK

Date:

19/3/2007

PKF (UK) LLP
Registered Auditors

Martin's Properties (Chelsea) Limited

Profit and Loss Account
for the Year Ended 5 April 2006

	Notes	5.4.06 £	5.4.05 £
TURNOVER		593,392	491,884
Cost of sales		<u>-</u>	<u>5,606</u>
GROSS PROFIT		593,392	486,278
Administrative expenses		<u>958,237</u>	<u>701,416</u>
		(364,845)	(215,138)
Other operating income		<u>1,238,942</u>	<u>1,275,322</u>
OPERATING PROFIT	2	874,097	1,060,184
Profit on sale of property		<u>112,445</u>	<u>72,453</u>
		986,542	1,132,637
Interest receivable and similar income		<u>299,032</u>	<u>564,005</u>
		1,285,574	1,696,642
Interest payable and similar charges		<u>402,662</u>	<u>398,375</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		882,912	1,298,267
Tax on profit on ordinary activities	3	<u>193,983</u>	<u>362,688</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	11	<u>688,929</u>	<u>935,579</u>

The notes form part of these financial statements


Martin's Properties (Chelsea) Limited

Balance Sheet
5 April 2006

	Notes	5.4.06	5.4.05
		£	£
FIXED ASSETS			
Tangible assets	4	24,824,426	24,842,890
Investments	5	<u>1,745,002</u>	<u>1,745,002</u>
		26,569,428	26,587,892
CURRENT ASSETS			
Debtors	6	10,020,791	5,930,504
Cash at bank		<u>770,411</u>	<u>3,872,085</u>
		10,791,202	9,802,589
CREDITORS			
Amounts falling due within one year	7	<u>1,915,126</u>	<u>1,541,008</u>
NET CURRENT ASSETS		<u>8,876,076</u>	<u>8,261,581</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		35,445,504	34,849,473
CREDITORS			
Amounts falling due after more than one year	8	(8,484,662)	(8,577,560)
PROVISIONS FOR LIABILITIES	9	<u>(244,373)</u>	<u>(244,373)</u>
NET ASSETS		<u><u>26,716,469</u></u>	<u><u>26,027,540</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	1,250	1,250
Revaluation reserve	11	19,308,882	19,421,327
Other reserves	11	10,348	10,348
Profit and loss account	11	<u>7,395,989</u>	<u>6,594,615</u>
SHAREHOLDERS' FUNDS		<u><u>26,716,469</u></u>	<u><u>26,027,540</u></u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2007 and were signed on its behalf by:


.....
P G Martin - Director

The notes form part of these financial statements

Martin's Properties (Chelsea) Limited

Notes to the Financial Statements
for the Year Ended 5 April 2006

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), except in relation to investment properties as explained in Note 4.

Turnover

Turnover represents fees in respect of property management and repairs and maintenance work in the year, net of VAT and trade discounts.

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	20% to 33% straight line
---------------------	--------------------------

Investment properties are included in the balance sheet at their valuation at the company's previous year end of 5 April 2005. Although this accounting policy is in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been charged cannot be separately identified or quantified.

Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Investments

Fixed asset investments are stated at cost less provision for diminution in value. Assets held for leasing under operating leases are included in tangible fixed assets at cost less accumulated depreciation.

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Other operating income

Other operating income represents rental income, net of related expenditure such as ground rents and repairs and replacements.

Martin's Properties (Chelsea) Limited

Notes to the Financial Statements - continued
for the Year Ended 5 April 2006

2. OPERATING PROFIT

The operating profit is stated after charging:

	5.4.06	5.4.05
	£	£
Depreciation - owned assets	18,976	36,004
Auditors' remuneration	12,000	12,000
Pension costs	<u>16,567</u>	<u>-</u>
 Directors' emoluments and other benefits etc	 <u>101,833</u>	 <u>92,006</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2005: 5)

3. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	5.4.06	5.4.05
	£	£
Current tax:		
UK corporation tax	193,983	366,000
Adjustment for prior years	<u>-</u>	<u>(3,312)</u>
 Tax on profit on ordinary activities	 <u>193,983</u>	 <u>362,688</u>

4. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery etc £	Totals £
COST			
At 6 April 2005	24,787,645	395,923	25,183,568
Additions	11,256	11,811	23,067
Disposals	<u>(22,555)</u>	<u>-</u>	<u>(22,555)</u>
 At 5 April 2006	 <u>24,776,346</u>	 <u>407,734</u>	 <u>25,184,080</u>
 DEPRECIATION			
At 6 April 2005	-	340,678	340,678
Charge for year	<u>-</u>	<u>18,976</u>	<u>18,976</u>
 At 5 April 2006	 <u>-</u>	 <u>359,654</u>	 <u>359,654</u>
 NET BOOK VALUE			
At 5 April 2006	<u>24,776,346</u>	<u>48,080</u>	<u>24,824,426</u>
 At 5 April 2005	 <u>24,787,645</u>	 <u>55,245</u>	 <u>24,842,890</u>

Martin's Properties (Chelsea) Limited

Notes to the Financial Statements - continued
for the Year Ended 5 April 2006

4. TANGIBLE FIXED ASSETS - continued

The land and buildings shown above represent investment properties. The valuations of investment properties were made as at 30 November 2003 by M Pryor, Chartered Surveyor, on an open market basis and at 31 March 2004 by S Hatton, Chartered Surveyor and an employee of the company, on an open market basis. No depreciation is provided in respect of these properties. In the opinion of the directors, there was no material difference between the valuations at 30 November 2003 and 31 March 2004, and the valuation at the company's previous year end of 5 April 2005. The directors have been unable to form an opinion as to the open market value of the investment properties at the year end. However, in the opinion of the directors the value of the properties is at least at the amount stated above.

On an historical cost basis the properties would have been included at an original cost of £5,525,087 (2005: £5,513,831) and aggregate depreciation of £231,715 (2005: £231,715).

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Interest in other participating interests £	Totals £
COST			
At 6 April 2005 and 5 April 2006	<u>510,001</u>	<u>1,235,001</u>	<u>1,745,002</u>
NET BOOK VALUE			
At 5 April 2006	<u>510,001</u>	<u>1,235,001</u>	<u>1,745,002</u>
At 5 April 2005	<u>510,001</u>	<u>1,235,001</u>	<u>1,745,002</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

26/40 High Street Slough Limited

Nature of business: property trading

	%		
	holding		
Class of shares:	100.00		
Ordinary		31.12.05	31.12.04
		£	£
Aggregate capital and reserves		1,270,963	(15,616)
Profit/(Loss) for the year		<u>1,286,579</u>	<u>(11,084)</u>

Martin's Properties (Park Royal) Limited

Nature of business: dormant

	%		
	holding		
Class of shares:	100.00		
Ordinary		30.11.05	30.11.04
		£	£
Aggregate capital and reserves		<u>1</u>	<u>1</u>

Martin's Properties (Chelsea) Limited

Notes to the Financial Statements - continued
for the Year Ended 5 April 2006

5. FIXED ASSET INVESTMENTS - continued

Associated Companies

Martin's Estates (Clerkenwell) Limited

Nature of business: property management, development & maintenance

	%
Class of shares:	holding
Ordinary	50.00

	5.4.06	5.4.05
	£	£
Aggregate capital and reserves	3,574,532	3,986,515
Loss for the year	<u>(411,983)</u>	<u>(320,333)</u>

Martin's Properties (Kings Road) LLP

Nature of business: developing & managing property

	%
Class of shares:	holding
Members capital	21.72

	5.4.06	5.4.05
	£	£
Aggregate capital and reserves	11,181,148	7,394,294
Loss for the year	<u>(1,352,555)</u>	<u>(289,501)</u>

6. DEBTORS

	5.4.06	5.4.05
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	32,406	50,544
Amounts owed by participating interests	8,926,409	4,812,861
Other debtors	<u>247,401</u>	<u>252,524</u>
	<u>9,206,216</u>	<u>5,115,929</u>
 Amounts falling due after more than one year:		
Other debtors	<u>814,575</u>	<u>814,575</u>
 Aggregate amounts	<u>10,020,791</u>	<u>5,930,504</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	5.4.06	5.4.05
	£	£
Amounts owed to group undertakings	1	1
Taxation and social security	580,802	453,620
Other creditors	<u>1,334,323</u>	<u>1,087,387</u>
	<u>1,915,126</u>	<u>1,541,008</u>

Martin's Properties (Chelsea) Limited

Notes to the Financial Statements - continued
for the Year Ended 5 April 2006

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	5.4.06	5.4.05
	£	£
Other creditors	<u>8,484,662</u>	<u>8,577,560</u>

The aggregate amount of creditors for which security has been given amounted to £1,500,000 (2005-£1,500,000).

9. PROVISIONS FOR LIABILITIES

	5.4.06	5.4.05
	£	£
Deferred taxation	<u>244,373</u>	<u>244,373</u>

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	5.4.06	Not provided 5.4.05	5.4.06	Provided 5.4.05
	£	£	£	£
Delayed capital allowances (potential deferred tax asset)	(7,913)	(9,632)	-	-
Other timing differences	<u>-</u>	<u>-</u>	<u>244,373</u>	<u>244,373</u>
	<u>(7,913)</u>	<u>(9,632)</u>	<u>244,373</u>	<u>244,373</u>

10. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	5.4.06	5.4.05
			£	£
1,250	Ordinary	£1	<u>1,250</u>	<u>1,250</u>

Martin's Properties (Chelsea) Limited

Notes to the Financial Statements - continued
for the Year Ended 5 April 2006

11. RESERVES

	Profit and loss account £	Revaluation reserve £	Other reserves £	Totals £
At 6 April 2005	6,594,615	19,421,327	10,348	26,026,290
Profit for the year	688,929			688,929
Reserves transfer	<u>112,445</u>	<u>(112,445)</u>	<u>-</u>	<u>-</u>
At 5 April 2006	<u><u>7,395,989</u></u>	<u><u>19,308,882</u></u>	<u><u>10,348</u></u>	<u><u>26,715,219</u></u>

Other reserves

Capital redemption reserve

Balance at 6 April 2005 & 5 April 2006

750

Reserves provided for by the Articles of Association

Balance at 6 April 2005 & 5 April 2006

9,598

Martin's Properties (Chelsea) Limited

Notes to the Financial Statements - continued
for the Year Ended 5 April 2006

12. RELATED PARTY DISCLOSURES

	Amount 2006 £	outstanding 2005 £	Transaction value £
Debtors			
K H Martin Will Trust - loan	-	743	(743)
Radnor Walk Investments Limited - interest due on loan	814,575	814,575	-
Radnor Walk Investments (Brompton) Limited - loan	7,650	53,561	(45,911)
Martin's Estates (Clerkenwell) Limited - loan	3,499,275	3,133,923	365,352
Martin's Estates (Clerkenwell) Limited - interest due on loan	180,008	133,923	180,008
Martin's Estates (Brompton) Limited - loan	14,850	14,850	-
Martin's Properties (Kings Road) LLP - loan	5,427,134	1,678,938	3,748,196
Brompton Estates Management Limited - loan	12,933	3,789	9,144
26/40 High Street Slough Limited - loan	32,406	50,544	(18,138)
Peter Martin Children's Settlement - loan	12,808	-	12,808
	=====	=====	=====
Creditors			
P A G Martin - director's account	130,305	119,760	10,545
Martin's of Chelsea Executive Pension Scheme - loan	1,500,000	1,500,000	-
Martin's of Chelsea Executive Pension Scheme - interest due on loan	9,375	112,818	9,375
Radnor Walk Investments Limited - loan	6,844,982	6,844,982	-
Radnor Walk Investments Limited - current account	897,181	436,907	460,274
Radnor Walk Investments Limited - interest on loan	276,392	277,647	276,392
Kaymart Properties Limited - loan	43,840	43,840	-
P G Martin - director's account	6,481	526	5,955
Martin's Properties (Park Royal) Limited - loan	1	1	-
	=====	=====	=====

Nature of relationship

K H Martin Will Trust - P G Martin, a director of the company is a trustee of this trust; Radnor Walk Investments Limited - P G Martin and E C Carlton Smith, directors of the company are directors of this company; Radnor Walk Investments (Brompton) Limited - P G Martin, a director of the company is a director of this company; Martin's Estates (Clerkenwell) Limited - P G Martin, a director of the company is a director of this company; Martin's Estates (Brompton) Limited - P G Martin, a director of the company is a director of this company; Martin's Properties (Kings Road) LLP - the company is a designated member of this limited liability partnership; Brompton Estates Management Limited - P G Martin, a director of the company is a director of this company; 26/40 High Street Slough Limited - P G Martin, a director of the company is a director of this company; Peter Martin Children's Settlement - P G Martin, a director of the company is a trustee of this trust; Martin's of Chelsea Executive Pension Scheme - P G Martin, E C Carlton Smith & L P Burbridge, directors of the company are trustees of this trust; Kaymart Properties Limited - P G Martin, a director of the company is a director of this company, Martin's Properties (Park Royal) Limited P G Martin, a director of the company is a director of this company.

13. CONTROL

In the opinion of the directors, the ultimate controlling party is P G Martin, a director of the company.