

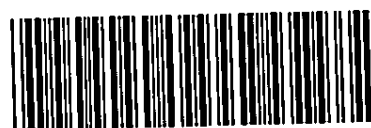
Company No 3244100

ESTATES & MANAGEMENT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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ESTATES & MANAGEMENT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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DIRECTOR AND OFFICERS

DIRECTORS

W K Procter
M Gaston
W K Goldsmith

SECRETARIES

A Wolfson
I Rapley

REGISTERED OFFICE

Euro House
131/133 Ballards Lane
London N3 1GR

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2006

Principal activity

The principal activity of the company during the financial year was property management

Review of the business and future developments

The directors regret to report that the company made a loss in this year of trading. However, the directors consider the prospects for the future and the financial position to be satisfactory, given the support of its United Kingdom holding company.

Results and dividends

The loss for the year was £889,008 (2005 £904,744). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were as follows

W K Procter

M Gaston (appointed 7 March 2006)

WK Goldsmith (appointed 10 January 2006)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c 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 to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

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 black ink, appearing to read 'W K Procter', with a long horizontal flourish extending to the right.

W K Procter
Director
28 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESTATES & MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 13

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 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

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 the 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.

Opinion

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 at 31 December 2006 and of its result for the year then ended and 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.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

30 April 2008

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover		5,056,460	2,057,678
Administrative expenses		(5,411,906)	(3,164,670)
Operating loss		<u>(355,446)</u>	<u>(1,106,992)</u>
Profit on sale of investment		-	189,525
Interest receivable		249,380	15,669
Interest payable and similar charges	2	(782,942)	(2,946)
Loss on ordinary activities before taxation	3	<u>(889,008)</u>	<u>(904,744)</u>
Tax on loss on ordinary activities	5	-	-
Retained loss for the financial year	13	<u>£ (889,008)</u>	<u>£ (904,744)</u>

The operating profit for the year arises from continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account

BALANCE SHEET

AT 31 DECEMBER 2006

	Notes	2006	2005
		£	£
Fixed assets			
Tangible assets	6	259,849	314,568
Intangible assets	7	-	-
		<u>259,849</u>	<u>314,568</u>
Current assets			
Debtors	8	27,506,729	4,412,453
Cash at bank and in hand		1,342,594	802,827
		<u>28,849,323</u>	<u>5,215,280</u>
Creditors, amounts falling due within one year	9	(31,763,562)	(7,280,638)
Net current liabilities		<u>(2,914,239)</u>	<u>(2,065,358)</u>
Creditors, amounts falling due after more than one year	10	-	(14,592)
Net liabilities		<u>£ (2,654,390)</u>	<u>£ (1,765,382)</u>
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account	13	(2,655,390)	(1,766,382)
Shareholders' funds	13	<u>£ (2,654,390)</u>	<u>£ (1,765,382)</u>

The financial statements on pages 5 to 13 were approved by the board of directors and authorised for issue on 28 April 2008 and are signed on its behalf by



W. K. Procter
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company acts as a management company for a number of group companies and related parties, all owned by the Tchenguiz Family Trust. Funding has historically been provided to the company by way of these group and related companies, and because of the role of this company the directors are of the opinion that the funding will not be withdrawn. On this basis, despite the company's deficiency of assets, the directors consider it appropriate to prepare the accounts on a going concern basis.

Goodwill

Goodwill representing the excess of the purchase price compared with the fair value of assets acquired is capitalised and amortised over the useful life of those assets.

Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Fixtures, fittings & equipment	15-25% straight line
Motor vehicles	25% straight line
Leasehold improvements	25% straight line

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases") the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

The lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss on a straight line basis over the lease term.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

No provision is made for any liability to tax that would arise in the event of the sale of the investment property at the value at which it is stated in the financial statements. An estimate of this liability is set out in note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies (Continued)**Turnover**

Turnover comprises fees charged and commissions received in respect of property management

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement, as more than 90% of the voting rights are controlled within the group and consolidated financial statements in which the company is included are publicly available

2 Interest payable and similar charges	2006	2005
	£	£
Related parties	780,354	-
Bank overdraft	361	1,219
Finance leases	1,527	1,527
Other interest	700	200
	£ 782,942	£ 2,946

3 Loss on ordinary activities before taxation	2006	2005
	£	£
This is stated after charging		
Auditors' remuneration	10,000	7,000
Depreciation on		
Owned assets	34,871	21,041
Leased assets	17,046	7,851
Operating lease rentals		
Land and buildings	106,369	107,353
Other	-	9,667

Auditors' remuneration is due to Baker Tilly UK Audit LLP (2005 due to Baker Tilly, Chartered Accountants)

4 Employees and director	2006	2005
	£	£
Staff costs during the year amounted to		
Wages and salaries	3,633,861	1,978,085
Social security costs	436,247	224,953
	£ 4,070,108	£ 2,203,038

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

4	Employees and director (Continued)	2006	2005
		No.	No
	Average monthly number of employees		
	Office and management	67	52
		<u> </u>	<u> </u>
	Director's remuneration		
	Aggregate emoluments	£ 791,109	£ 205,984
		<u> </u>	<u> </u>
	Highest paid director		
	Aggregate emoluments	£ 537,550	£ 205,984
		<u> </u>	<u> </u>
5	Taxation	2006	2005
		£	£
	Current tax		
	UK corporation tax	-	-
		<u> </u>	<u> </u>
	Total current tax	-	-
	Deferred tax	-	-
		<u> </u>	<u> </u>
	Tax on loss on ordinary activities	£ -	£ -
		<u> </u>	<u> </u>
	Factors affecting tax charge for the year		
	Loss on ordinary activities before tax	£ (889,008)	£ (904,744)
		<u> </u>	<u> </u>
	Loss on ordinary activities multiplied by the standard rate of		
	Corporation tax in the UK of 30% (2005 30%)	(266,702)	(271,423)
	Effects of		
	Non-deductible expenses	210	60
	Depreciation in excess of capital allowances	12,320	6,868
	Group relief granted without charge	-	336,449
	Chargeable disposals	35,684	(4,142)
	UK transfer pricing	53,403	(67,812)
	Losses available to carry forward	165,085	-
		<u> </u>	<u> </u>
	Current tax charge for the year	£ -	£ -
		<u> </u>	<u> </u>

The company has estimated losses of £550,283 (2005 £Nil) available to carry forward against future trading profits

No provision for deferred taxation has been made for the tax losses due to the uncertainty of their recoverability

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

6 Tangible fixed assets

	Leasehold Improvements	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
As at 1 January 2006	34,796	541,290	31,405	607,491
Additions	-	79,367	36,779	116,146
Disposals	-	(118,948)	-	(118,948)
At 31 December 2006	<u>34,796</u>	<u>501,709</u>	<u>68,184</u>	<u>604,689</u>
Depreciation				
As at 1 January 2006	34,796	246,350	11,777	292,923
Charge for the year	-	34,871	17,046	51,917
At 31 December 2006	<u>34,796</u>	<u>281,221</u>	<u>28,823</u>	<u>344,840</u>
Net book value				
At 31 December 2006	<u>-</u>	<u>220,488</u>	<u>39,361</u>	<u>£ 259,849</u>
Net book value				
At 31 December 2005	<u>-</u>	<u>294,940</u>	<u>19,628</u>	<u>£ 314,568</u>

Included within fixed assets are motor vehicles with net book value of £39,361 (2005 £19,628) in respect of assets held under finance leases. Depreciation for the year on these assets was £17,046 (2005 £7,851)

7 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2005 and 31 December 2006	<u>20,670</u>
Amortisation	
At 1 January 2005 and 31 December 2006	<u>(20,670)</u>
Net book value	
At 31 December 2005 and 31 December 2006	<u>£ -</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

8 Debtors	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	236,615	145,392
Amounts owed by group undertakings	6,032,752	496,445
Amounts owed by related parties	20,211,691	3,572,565
Other debtors	898,067	97,038
Prepayments	127,604	101,013
	<u>£ 27,506,729</u>	<u>£ 4,412,453</u>

There are no fixed terms of repayment of the group or related party loans

9 Creditors: amounts falling due within one year	2006 £	2005 £
Amounts owed to group undertakings	5,294,107	18,915
Amounts owed to related parties	25,445,096	6,711,650
Other taxation and social security	544,413	146,006
Other creditors	277,255	278,817
Accruals	188,099	117,180
Obligations under hire purchase and finance lease contracts	14,592	8,070
	<u>£ 31,763,562</u>	<u>£ 7,280,638</u>

10 Creditors: amounts falling due in more than one year	2006 £	2005 £
Obligations under hire purchase and finance lease contracts	<u>£ -</u>	<u>£ 14,592</u>
Finance lease and hire purchase contracts		
Repayable within one year	14,592	8,070
Repayable between two to five years	-	14,592
	<u>£ 14,592</u>	<u>£ 22,662</u>

11 Provisions for liabilities and charges

The potential deferred taxation asset which has not been provided in the accounts is as follows

	2006 £	2005 £
Capital allowances in excess of depreciation	<u>£ 39,086</u>	<u>£ 26,766</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

12 Share capital	2006	2005
	£	£
Authorised, allotted, issued and fully paid 1,000 Ordinary shares of £1 each	£ 1,000	£ 1,000

13 Reserves and reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 1 January 2006	1,000	(1,766,382)	(1,765,382)
Retained loss for the year	-	(889,008)	(889,008)
Balance at 31 December 2006	1,000	(2,655,390)	£ (2,654,390)

14 Contingent liability

The company has given an unlimited guarantee in respect of some of the indebtedness of its United Kingdom holding company and of the related parties Fairhold Holdings (2001) Limited, Fairhold Holdings (2003) Limited and Linecroft Limited. At 31 December 2006 the total amount outstanding subject to this guarantee was £112,143,113 (2005 £113,600,000)

The company has given an unlimited guarantee in respect of some of the indebtedness of its related parties, Fairhold Holdings (2005) Limited, Fairhold Holdings (2006) Appts Limited, Fairhold Holdings (2006) RPI Limited, Fairhold Holdings (2006) Houses Limited and Fairhold Homes Investments (No 9) AL Limited. As at 31 December 2006 the total amount outstanding subject to that guarantee was £22,113,921

The company has given an unlimited guarantee in respect of the indebtedness of its related parties, Fairhold Holdings No 3 (Appts) Limited, Fairhold Holdings No 3 (RPI) Limited and Fairhold Holdings No 3 (Houses) Limited. As at 31 December 2006 the total amount outstanding subject to that guarantee was £33,724,886

15 Operating lease commitments	2006	2005
	£	£
At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows		
Plant and machinery		
expiring within 1 year	12,356	-
expiring between 2 and 5 years	-	20,667
Land and buildings		
expiring between 2 and 5 years	107,353	107,353
	£ 119,709	£ 128,020

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2006**

16 Related party transactions

The company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose intra-group related party transactions between subsidiary undertakings where more than 90% of the voting rights are controlled within the group

The company provides funding to, and received funding from, certain companies controlled by the Tchenguiz Family Trust. At 31 December 2006 the total of these related party balances are as follows

Amounts owed to related parties £25,445,096 (2005 £6,711,650)

Amounts owed by related parties £20,211,691 (2005 £3,572,565)

During the year the company charged management fees to these related parties totalling £3,300,048 (2005 £770,671)

Interest of £780,354 and £208,509 respectively was charged/received on amounts owed by and due to the company during the year

17 Immediate and United Kingdom holding companies

The immediate parent company at the year end was Owners Provident Limited a company incorporated in England and Wales. The company's United Kingdom holding company and closest holding company for which group accounts are drawn up, was Fairhold Holdings Limited which is registered in England and Wales. This undertaking is the holding company of both the largest and smallest group for which group accounts are prepared and of which the company was a member. Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

Since the year end ownership of the company was transferred to the related party, Fairhold Services Limited. The company's ultimate holding company and controlling party remain unchanged following the change in ownership.

18 Ultimate holding company

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

19 Controlling party

The ultimate controlling party is the Investec Trust (Guernsey) Limited as trustees of the Tchenguiz Family Trust.

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Schedule	2006 £	2005 £
Turnover		5,056,460	2,057,678
Administrative expenses	I	(5,411,906)	(3,164,670)
		<hr/>	<hr/>
Operating loss		(355,446)	(1,106,992)
Profit on sale of investment		-	189,525
Interest receivable	II	249,380	15,669
Interest payable	III	(782,942)	(2,946)
Loss on ordinary activities before taxation		<hr/> £ (889,008) <hr/>	<hr/> £ (904,744) <hr/>

The detailed trading and profit and loss account on pages 14 and 15 is supplementary to, but does not form part of, the statutory financial statements