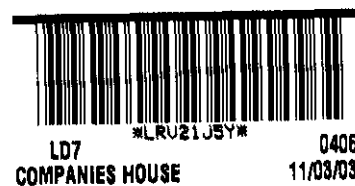


# Brightstone Properties (Birkenhead) Limited

## FINANCIAL STATEMENTS

for the year ended

31 May 2002



Company Registration No. 3788487

# Brightstone Properties (Birkenhead) Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

R Tchenguiz  
P Shalson

### SECRETARY

Secretarial Services Limited

### COMPANY NUMBER

3788487 (England)

### REGISTERED OFFICE

8 Baker Street  
London  
W1V 3LL

### AUDITORS

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

### SOLICITORS

Julian Holy  
Emperor's Gate  
114A Cromwell Road  
London  
SW7 4ES

# Brightstone Properties (Birkenhead) Limited

## DIRECTORS' REPORT

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The directors submit their report and financial statements of Brightstone Properties (Birkenhead) Limited and for the year ended 31 May 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the company, which has remained unchanged during the financial year, was property investment.

### REVIEW OF THE BUSINESS

In the opinion of the directors the result for the year and the financial position of the company at 31 May 2002 were satisfactory given the support of the joint venture parties.

### DIVIDENDS

The directors do not recommend the payment of a final dividend on the ordinary shares.

Accrued preference dividends of £49,000 (2001: £49,000 payable but not declared) are shown as an appropriation in the Profit and Loss account and reversed to the Profit and Loss account reserve.

### DIRECTORS

The following directors have held office since 1 June 2001:-

R Tchenguiz  
P Shalson

### DIRECTORS' INTERESTS IN SHARES

P Shalson owns all of the 50 Ordinary 'A' £1 shares, together with half of the 700,000 Cumulative Redeemable £1 Preference shares. R Tchenguiz has an interest in all of the 50 Ordinary 'B' £1 shares and the other half of the 700,000 Cumulative Redeemable £1 Preference shares, by virtue of his interest in Rotch Property Group Limited, the United Kingdom holding company of Rotch Properties Limited.

The interests of the directors in the share capital of Rotch Property Group Limited, are set out in the directors' report of that company.

### INVESTMENT PROPERTY

The investment property held at 31 May 2002 was valued as at that date at £7,700,000 by the directors. The increase in value during the year amounted to £194,000 as set out in note 8.

# Brightstone Properties (Birkenhead) Limited

## DIRECTORS' REPORT

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### AUDITORS

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, Baker Tilly, will be deemed to be reappointed for each succeeding financial year.

By order of the board



R Tehenguiz  
Director

31 January 2003

# Brightstone Properties (Birkenhead) Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires directors to prepare financial statements for each financial year which 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 those financial statements, 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS' OF BRIGHTSTONE PROPERTIES (BIRKENHEAD) LIMITED**

We have audited the financial statements on pages 6 to 14.

### **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 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs as at 31 May 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**BAKER TILLY**

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

31 January 2003

**Brightstone Properties Limited**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 May 2002

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	Notes	2002 £	2001 £
TURNOVER	1	496,255	496,002
Other operating expenses	2	(11,103)	(11,738)
OPERATING PROFIT		<u>485,152</u>	<u>484,264</u>
Interest payable and similar charges	3	(497,254)	(495,533)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(12,102)	(11,269)
Taxation	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(12,102)</u>	<u>(11,269)</u>
DIVIDENDS AND APPROPRIATIONS			
Preference share appropriation	7	(49,000)	(49,000)
RETAINED LOSS FOR THE YEAR	14	<u>(61,102)</u>	<u>(60,269)</u>

The operating profit for the year arises from the company's continuing operations.

Brightstone Properties (Birkenhead)Limited  
 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
 for the year ended 31 May 2002

	<i>Notes</i>	2002 £	2001 £
Loss for the financial year		(12,102)	(11,269)
Unrealised surplus on revaluation properties	8	194,000	256,000
Total gains and losses recognised since last financial Statements		<u>181,898</u>	<u>244,731</u>



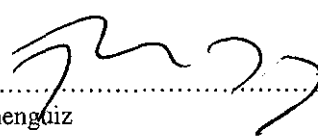
# Brightstone Properties (Birkenhead) Limited

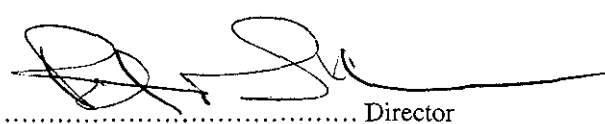
## BALANCE SHEET

31 May 2002

	Notes	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	8	7,700,000	7,506,000
<b>CURRENT ASSETS</b>			
Debtors	9	2,544	49,938
Cash at bank and in hand		134,752	131,144
		<u>137,296</u>	<u>181,082</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	(694,312)	(725,996)
<b>NET CURRENT LIABILITIES</b>		<u>(557,016)</u>	<u>(544,914)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,142,984</u>	<u>6,961,086</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	11	(5,800,000)	(5,800,000)
		<u>1,342,984</u>	<u>1,161,086</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	700,100	700,100
Revaluation reserve	15	815,106	621,106
Profit and loss account	15	(172,222)	(160,120)
<b>SHAREHOLDERS' FUNDS</b>		<u>1,342,984</u>	<u>1,161,086</u>
Equity interests	14	520,886	387,988
Non-equity interests	14	822,098	773,098
		<u>1,342,984</u>	<u>1,161,086</u>

Approved by the board on 31 January 2003.

  
 ..... Director  
 R Tchenguiz

  
 ..... Director  
 P Shalson

# Brightstone Properties (Birkenhead) Limited

## ACCOUNTING POLICIES

for the year ended 31 May 2002

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### BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards.

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

The financial statements have been prepared under the historical cost convention with the exception of land and buildings which are stated at revalued amounts.

### INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets.

However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

### DEFERRED TAXATION

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 -Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain times for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy has been in place in the previous period no liability would have been recognised as the conditions for recognition would not have been satisfied.

### CASHFLOW STATEMENT

The company is exempt from the requirement to prepare a cashflow statement as it is a wholly owned subsidiary undertaking.

**Brightstone Properties (Birkenhead) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 May 2002**

1. **TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The company's turnover and loss before taxation were all derived from its principal activity wholly undertaken in the United Kingdom.

2. **OTHER OPERATING EXPENSES**

	2002	2001
	£	£

Administration expenses	11,103	11,738
	=====	=====

3. **INTEREST PAYABLE**

	2002	2001
	£	£

On amounts payable to related parties	44,489	44,229
On bank loans	452,040	450,464
Other interest	725	840
	=====	=====
	497,254	495,533
	=====	=====

4. **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2002	2001
	£	£

Loss on ordinary activities before taxation is stated after charging/(crediting):

Auditors' remuneration	1,000	1,000
	=====	=====

5. **EMPLOYEES**

There were no employees during the year apart from the directors, who received no emoluments.

6. **TAXATION**

	2002	2001
	£	£

Analysis of charge for the year

Current tax charge:

UK corporation tax on loss for the year	-	-
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Total current tax	-	-
	=====	=====

Factors affecting the tax charge for the year

Loss on ordinary activities before taxation	(12,102)	(11,269)
	=====	=====

Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001: 30.00%)

(3,631)	(3,381)
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Effects of:

Unutilised losses carried forward	3,631	3,381
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Current tax charge	-	-
	=====	=====

The company has estimated losses of £172,222 (2001: £160,120) available for carry forward against future trading profits.

**Brightstone Properties (Birkenhead) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 May 2002

7.	DIVIDENDS	2002 £	2001 £
	Accrued dividend on cumulative preference shares	49,000 =====	49,000 =====
8.	TANGIBLE FIXED ASSETS		<i>Investment property £</i>
	Cost or valuation		
	1 June 2001		7,506,000
	Revaluation surplus		194,000
	31 May 2002		7,700,000 =====
The property was valued as at 31 May 2002 as £7,700,000 (2001: £7,506,000) by the directors.			
The original cost of the property was £6,884,894 (2001: £6,884,894).			
	Investment property at net book value comprises:	2002 £	2001 £
	Freehold	7,700,000 =====	7,506,000 =====
9.	DEBTORS	2002 £	2001 £
	Due within one year:		
	Amounts owed by United Kingdom holding company	-	47,370
	Amounts owed by related parties	-	2,568
	Other debtors	2,544	-
		2,544 =====	49,938 =====
10.	CREDITORS: Amounts falling due within one year	2002 £	2001 £
	Amounts owed to related parties	445,858	524,968
	Accruals and deferred income	248,454	201,028
		694,312 =====	725,996 =====

# Brightstone Properties (Birkenhead) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2002

11.	CREDITORS: Amounts falling due after more than one year	2002 £	2001 £
	Loan	5,800,000 =====	5,800,000 =====
	Loan maturity analysis:		
	In five years or more	5,800,000 =====	5,800,000 =====

The bank loan is repayable by interest only instalments until 2006 when the loan will be repaid in its entirety. The loan bears annual interest at 7.76% and it is secured by a fixed and floating charge over the company's investment property.

## 12. DEFERRED TAXATION

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £7,700,000 (2001: £7,506,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £110,300 (2001: £76,900).

13.	SHARE CAPITAL	2001 £	2000 £
	Authorised:		
	Equity:		
	500 Ordinary 'A' shares of £1 each	500	500
	500 Ordinary 'B' shares of £1 each	500	500
	Non-equity:		
	700,000 Cumulative Redeemable Preference shares of £1 each	700,000	700,000
		<u>701,000</u> =====	<u>701,000</u> =====
	Allotted, issued and fully paid:		
	Equity:		
	50 Ordinary 'A' shares of £1 each	50	50
	50 Ordinary 'B' shares of £1 each	50	50
	Non-equity:		
	700,000 Cumulative Redeemable Preference shares of £1 each	700,000	700,000
		<u>700,100</u> =====	<u>700,100</u> =====

The company's Ordinary 'A' and 'B' shares rank pari passu in all respects. The preference shareholders have a right to priority payment of a fixed cumulative preferential dividend at the gross rate per annum of 7%. The dividend accrues on a daily basis and is payable half yearly on 1 April and 1 October.

The arrears of dividends in respect of the three financial periods ended 31 May 2002 on the Cumulative Redeemable £1 Preference shares amounted to £122,098 (2001: £73,098).

# Brightstone Properties (Birkenhead) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2002

14.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2002 £	2001 £
	Loss for the financial year	(12,102)	(11,269)
		(12,102)	(11,269)
	Other recognised gains and losses	194,000	256,000
	Proceeds from issue of shares	-	-
	Net (depletion in)/addition to shareholders' funds	181,898	244,731
	Opening shareholders' funds	1,161,086	916,355
	Closing shareholders' funds	1,342,984	1,161,086
	Shareholders' funds allocated to non-equity:		
	Redeemable preference shares	700,000	700,000
	Arrears of cumulative preference dividend	122,098	73,098
		822,098	773,098
	Shareholders' funds allocated to equity:		
	Equity shares	100	100
	Revaluation reserve	815,106	621,106
	Profit and loss account	(172,222)	(160,120)
	Cumulative dividend due to non-equity shareholders'	(122,098)	(73,098)
		520,886	387,988

## 15. STATEMENT OF MOVEMENT ON RESERVES

	Revaluation reserve £	Profit & loss account £	Total £
1 June 2001	621,106	(160,120)	460,986
Retained loss for the year	-	(61,102)	(61,102)
Accrued dividend not declared	-	49,000	49,000
Revaluation during the year	194,000	-	194,000
31 May 2002	815,106	(172,222)	642,884

## 16. OWNERSHIP AND CONTROL

The company is jointly held and controlled by Peter Shalson and Rotch Properties Limited, a company which is registered in England. Both parties have equal rights to the ownership of the company and the control of the day to day operations.

Rotch Properties Limited is a subsidiary of Rotch Property Group Limited. In view of the company's net current liabilities, this holding company has agreed to provide financial support as and when required in order for the company to meet its external obligations.

Brightstone Properties (Birkenhead) Limited  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 May 2002

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17. RELATED PARTY TRANSACTIONS

Rotch Properties Limited and its holding company, Rotch Property Group Limited, made loans to the company through paying expenses and balances on its behalf. Rotch Property Group Limited additionally charged management fees of £10,000 (2001: £10,000).

Interest on Mr Peter Shalson's loan to the company was paid at the rate of 7% amounting to £30,054 (2001: £30,059).

The balances of 31 May 2002, were

Rotch Properties Limited	£142,484	(2001: £142,483)
Rotch Property Group Limited	£20,890	(2001: £202,630)
Mr Peter Shalson	£282,484	(2001: £132,485)