

Brightstone Properties (Birkenhead) Limited

FINANCIAL STATEMENTS

for the year ended

31 MAY 2001



Company Registration No. 3788487

Brightstone Properties (Birkenhead) Limited
DIRECTORS AND OFFICERS

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
31 Brechin Place
London
SW7 4QD

Brightstone Properties (Birkenhead) Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Brightstone Properties (Birkenhead) Limited and for the year ended 31 May 2001.

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 2001 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 (2000: £24,098 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 2000:-

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.

INVESTMENT PROPERTY

The investment property held at 31 May 2001 was valued as at that date at £7,506,000 by the directors. The increase in value during the period amounted to £256,000 as set out in note 7.

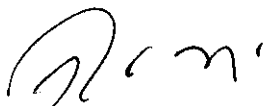
Brightstone Properties (Birkenhead) Limited

DIRECTORS' REPORT

AUDITORS

Pursuant to an elective resolution, the company has elected not to re-appoint its auditors annually and Baker Tilly, Chartered Accountants, will therefore continue in office in accordance with the provisions of section 386 of the Companies Act 1985.

By order of the board



R Tchenguiz
Director

15 November 2001

Brightstone Properties (Birkenhead) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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.

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

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

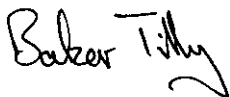
Basis of opinion

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 director 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 non statutory 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 2001 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

15 November 2001

Brightstone Properties Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2001

	Notes	Year ended 31 May 2001 £	Period ended 31 May 2000 restated £
RENT RECEIVABLE		496,002	246,641
Other operating expenses	1	(11,738)	(16,657)
OPERATING PROFIT		<u>484,264</u>	<u>229,984</u>
Interest receivable		-	1,190
		<u>484,264</u>	<u>231,174</u>
Interest payable and similar charges	2	(495,533)	(380,025)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(11,269)	(148,851)
Taxation	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(11,269)</u>	<u>(148,851)</u>
DIVIDENDS AND APPROPRIATIONS			
Preference share appropriation	6	(49,000)	(24,098)
RETAINED LOSS FOR THE YEAR		<u><u>(60,269)</u></u>	<u><u>(172,949)</u></u>

The operating profit/(loss) for the year arises from the company's continuing operations.

The comparative figures are for a 10 month period.

Brightstone Properties (Birkenhead) Limited
 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
 for the year ended 31 March 2001

	2001 £	2000 £
Loss for the financial period	(11,269)	(148,851)
Unrealised surplus on revaluation of property	256,000	365,106
Total recognised gains and losses relating to the year	<u>244,731</u> =====	<u>216,255</u> =====

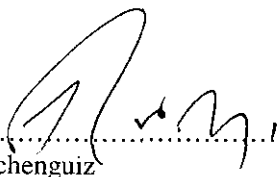
Brightstone Properties (Birkenhead) Limited

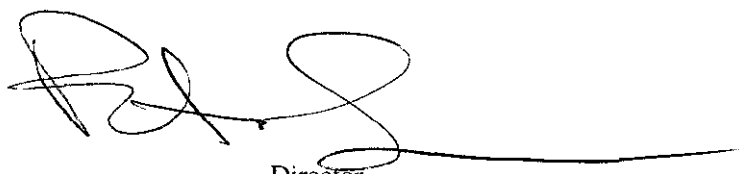
BALANCE SHEET

31 May 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	7,506,000	7,250,000
CURRENT ASSETS			
Debtors	8	49,938	50,762
Cash at bank and in hand		131,144	-
		<u>181,082</u>	<u>50,762</u>
CREDITORS: Amounts falling due within one year	9	(725,996)	(584,407)
NET CURRENT LIABILITIES		<u>(544,914)</u>	<u>(533,645)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,961,086</u>	<u>6,716,355</u>
CREDITORS: Amounts falling due after more than one year	10	(5,800,000)	(5,800,000)
		<u>1,161,086</u>	<u>916,355</u>
CAPITAL AND RESERVES			
Called up share capital	12	700,100	700,100
Revaluation reserve	14	621,106	365,106
Profit and loss account	14	(160,120)	(148,851)
SHAREHOLDERS' FUNDS		<u>1,161,086</u>	<u>916,355</u>
Equity interests	13	387,988	192,257
Non-equity interests	13	773,098	724,098
		<u>1,161,086</u>	<u>916,355</u>

Approved by the board on 15 November 2001.


 Director
 R Tchenguiz


 Director
 P Shalson

Brightstone Properties (Birkenhead) Limited

ACCOUNTING POLICIES

for the year ended 31 May 2001

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

Deferred taxation is calculated on the liability method. It is provided to the extent that it is considered, with reasonable probability, that a material liability will become payable within the foreseeable future.

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. However, an estimate of this liability is disclosed in note 11.

CASHFLOW STATEMENT

The company has taken advantage of the exemptions available in Financial Reporting Standard 1 (Revised) not to prepare a cashflow statement on the basis that it qualifies as a small company.

Brightstone Properties (Birkenhead) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2001

1. OTHER OPERATING EXPENSES

	2001	2000
	£	£
Administration expenses	11,738	16,657
	<u>=====</u>	<u>=====</u>

2. INTEREST PAYABLE

	2001	2000
	£	£
On amounts payable to related parties	44,229	17,881
On bank loans	450,464	221,957
Other interest	840	3,375
Other finance charges	-	136,812
	<u>=====</u>	<u>=====</u>
	495,533	380,025
	<u>=====</u>	<u>=====</u>

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001	2000
	£	£
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration	1,000	1,000
	<u>=====</u>	<u>=====</u>

4. EMPLOYEES

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

5. TAXATION

There is no current charge to taxation in view of the losses incurred.

6. DIVIDENDS

	2001	2000
	£	restated £
Accrued dividend on cumulative preference shares	49,000	24,098
	<u>=====</u>	<u>=====</u>

Brightstone Properties (Birkenhead) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2001

7. TANGIBLE FIXED ASSETS

	<i>Investment property £</i>
Valuation	
1 June 2000	7,250,000
Revaluation surplus	256,000
At 31 May 2001	<u>7,506,000</u>

The property was valued as at 31 May 2001 as £7,506,000 (2000: £7,250,000) by the directors.

The original cost of the property was £6,884,894 (2000: £6,884,894).

Investment property at net book value comprises:	2001 £	2000 £
Freehold	7,506,000	7,250,000

8. DEBTORS

	2001 £	2000 £
Due within one year:		
Amounts owed by related parties	2,568	44,541
Other debtors	-	6,221
Amounts due by ultimate UK holding company	47,370	-
	<u>49,938</u>	<u>50,762</u>

9. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Bank overdrafts	-	32,635
Amounts owed to related parties	524,968	391,891
Accruals and deferred income	201,028	159,881
	<u>725,996</u>	<u>584,407</u>

10. CREDITORS: Amounts falling due after more than one year

	2001 £	2000 £
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.

Brightstone Properties (Birkenhead) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2001

11. 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 £7,506,000 (2000: £7,250,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £31,000 (2000: £Nil).

12. 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 two financial periods ended 31 May 2001 on the Cumulative Redeemable £1 Preference shares amounted to £73,098 (2000: £24,098).

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2001 £	2000 £
Loss for the financial year	(11,269)	(148,851)
	<u>(11,269)</u>	<u>(148,851)</u>
Other recognised gains and losses	256,000	365,106
Proceeds from issue of shares	-	700,100
	<u>244,731</u>	<u>916,355</u>
Net (depletion in)/addition to shareholders' funds	244,731	916,355
Opening shareholders' funds	916,355	-
	<u>1,161,086</u>	<u>916,355</u>
	=====	=====