

**Brightstone Properties (Birkenhead)
Limited**

Financial Statements

For the year ended

31 May 2005

Company Registration Number 03788487



Brightstone Properties (Birkenhead) Limited

Financial Statements

Year ended 31 May 2005

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Brightstone Properties (Birkenhead) Limited

Company Information

The Board of Directors	Mr. P. Shalson
Company Secretary	Mr. S.J. Pollins
Registered Office	Lanmor House 370/386 High Road Wembley Middlesex HA9 6AX
Auditors	Landau Morley Chartered Accountants & Registered Auditors Lanmor House 370/386 High Road Wembley Middlesex HA9 6AX
Bankers	Bank of Scotland Telford House 3 Mid New Cultins Edinburgh EH11 4DH

Brightstone Properties (Birkenhead) Limited

The Director's Report

Year ended 31 May 2005

The director presents his report and the financial statements of the company for the year ended 31 May 2005.

Principal Activities and Business Review

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

Results and Dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The director has not recommended a dividend.

The Directors and their Interests in the Shares of the Company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 May 2005	At 1 June 2004
Mr. P. Shalson	Ordinary 'A' shares	50	50
	Ordinary 'B' shares	—	—
	Cumulative Redeemable Preference shares	350,000	350,000
	Ordinary 'A' shares	—	—
Mr. R. Tchenguiz	Ordinary 'B' shares	50	50
	Cumulative Redeemable Preference shares	<u>350,000</u>	<u>350,000</u>

Mr. R. Tchenguiz resigned as a director on 17 June 2005.

Director's Responsibilities

Company law requires the 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 year.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Brightstone Properties (Birkenhead) Limited

The Director's Report *(continued)*

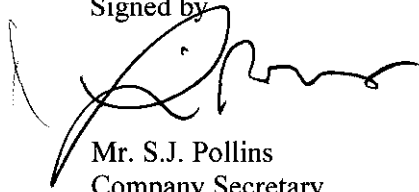
Year ended 31 May 2005

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 Companies Act 1985. The directors 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

A resolution to re-appoint Landau Morley as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by



Mr. S.J. Pollins
Company Secretary

Approved by the director on9.12.05.....

Brightstone Properties (Birkenhead) Limited

Independent Auditors' Report to the Shareholders of Brightstone Properties (Birkenhead) Limited

Year ended 31 May 2005

We have audited the financial statements of Brightstone Properties (Birkenhead) Limited for the year ended 31 May 2005 on pages 5 to 12 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Director's Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

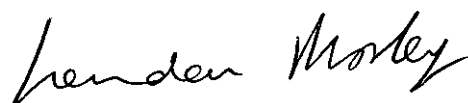
Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Lanmor House
370/386 High Road
Wembley
Middlesex
HA9 6AX

9/12/05

LANDAU MORLEY
Chartered Accountants
& Registered Auditors

Brightstone Properties (Birkenhead) Limited

Profit and Loss Account

Year ended 31 May 2005

	Note	2005 £	2004 £
Turnover	2	539,642	496,000
Administrative expenses		13,663	11,045
Operating Profit	3	525,979	484,955
Interest receivable		7,261	3,947
Interest payable and similar charges	5	(508,382)	(506,362)
Profit/(Loss) on Ordinary Activities Before Taxation		24,858	(17,460)
Tax on profit/(loss) on ordinary activities	6	—	—
Retained Profit/(Loss) for the Financial Year		24,858	(17,460)
Balance brought forward		(224,199)	(206,739)
Balance carried forward		<u>(199,341)</u>	<u>(224,199)</u>

All of the activities of the company are classed as continuing.

The notes on pages 8 to 12 form part of these financial statements.

Brightstone Properties (Birkenhead) Limited**Statement of Total Recognised Gains and Losses****Year ended 31 May 2005**

	2005	2004
	£	£
Profit/(Loss) for the financial year attributable to the shareholders	24,858	(17,460)
Reversal of revaluation of investment properties	—	(132,000)
Total gains and losses recognised since the last annual report	<u>24,858</u>	<u>(149,460)</u>

The notes on pages 8 to 12 form part of these financial statements.

Brightstone Properties (Birkenhead) Limited

Balance Sheet

31 May 2005

	Note	2005 £	2004 £
Fixed Assets			
Tangible assets	7	8,162,000	8,162,000
Current Assets			
Debtors	8	408,128	465,986
Cash at bank		346,780	218,156
		<u>754,908</u>	<u>684,142</u>
Creditors: Amounts Falling due Within One Year	9	<u>408,394</u>	<u>293,135</u>
Net Current Assets		346,514	391,007
Total Assets Less Current Liabilities		8,508,514	8,553,007
Creditors: Amounts Falling due after More than One Year	10	6,730,649	6,800,000
		<u>1,777,865</u>	<u>1,753,007</u>
Capital and Reserves			
Called-up share capital	15	700,100	700,100
Revaluation reserve		1,277,106	1,277,106
Profit and loss account		(199,341)	(224,199)
Shareholders' Funds (including non-equity interests)	16	<u>1,777,865</u>	<u>1,753,007</u>

These financial statements were approved and signed by the director on 2.12.05

Mr. P. Shalson
Director



The notes on pages 8 to 12 form part of these financial statements.

Brightstone Properties (Birkenhead) Limited

Notes to the Financial Statements

Year ended 31 May 2005

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

Cash Flow Statement

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents rent receivable on the company's investment property.

Investment Properties

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with SSAP 19 which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

Deferred Taxation

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.

Finance Charges

Finance costs associated with the company's debt are allocated to periods over the term of the debt at a constant rate on the carrying amount.

2. Turnover

The turnover and profit before tax were derived from the company's principal activity which was carried out wholly in the United Kingdom.

3. Operating Profit

Operating profit is stated after charging:

	2005 £	2004 £
Auditors' remuneration		
- as auditors	3,000	1,000

4. Particulars of Employees

No salaries or wages have been paid to employees, including the directors, during the year.

Brightstone Properties (Birkenhead) Limited

Notes to the Financial Statements

Year ended 31 May 2005

5. Interest Payable

	2005	2004
	£	£
Interest payable on bank borrowing	423,130	423,131
Other interest payable	85,252	83,231
	<u>508,382</u>	<u>506,362</u>

6. Taxation on Ordinary Activities

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005	2004
	£	£
Profit/(loss) on ordinary activities before taxation	<u>24,858</u>	<u>(17,460)</u>
Profit/(loss) on ordinary activities by rate of tax	7,457	(5,238)
Expenses not deductible for tax purposes	4,000	3,879
Utilisation of tax losses	(11,457)	—
Losses carried forward	—	1,359
Total current tax	<u>—</u>	<u>—</u>

7. Tangible Fixed Assets

	Investment Property £
Cost or Valuation	
At 1 June 2004 and 31 May 2005	<u>8,162,000</u>
Depreciation	<u>—</u>
Net Book Value	
At 31 May 2005	<u>8,162,000</u>
At 31 May 2004	<u>8,162,000</u>

The property was valued as at 31st May 2005 at £8,162,000 (2004: £8,162,000) by the directors.

The original cost of the property was £6,884,894.

8. Debtors

	2005	2004
	£	£
Other debtors	518	146
Prepayments and accrued income	407,610	465,840
	<u>408,128</u>	<u>465,986</u>

Brightstone Properties (Birkenhead) Limited

Notes to the Financial Statements

Year ended 31 May 2005

9. Creditors: Amounts Falling due Within One Year

	2005	2004
	£	£
Bank loans and overdrafts	69,351	—
Trade creditors	—	5,218
Other creditors	111,708	95,542
Accruals and deferred income	227,335	192,375
	<u>408,394</u>	<u>293,135</u>

Other creditors includes amounts due to related parties as follows:

Rotch Properties Limited (a company in which Mr R Tchenguiz has an interest)	47,268	47,268
Rotch Property Group Limited (a company in which Mr R Tchenguiz has an interest)	17,148	996
Mr. P. Shalson (director)	<u>47,270</u>	<u>47,270</u>

Included within accruals are amounts of interest payable of £60,367 (2003:£46,481) and £48,138 (2003:£35,002) due to Rotch Properties Limited and Mr. P. Shalson respectively.

Bank loans and overdrafts comprise the amount due within one year in respect of a bank loan. The terms of the loan are described in Note 10.

10. Creditors: Amounts Falling due after More than One Year

	2005	2004
	£	£
Bank loans and overdrafts	<u>6,730,649</u>	<u>6,800,000</u>

The loan is repayable by interest only instalments until December 2005 when quarterly repayments commence. Quarterly repayments continue until the capital balance becomes £5.61million, whereupon this amount will be repaid in full. The loan bears annual interest at 6.22% and is secured by a fixed and floating charge over the company's investment property.

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2005	2004
	£	£
Bank loans and overdrafts	<u>6,091,560</u>	<u>6,266,420</u>

11. Creditors - Capital Instruments

Creditors include finance capital which is due for repayment as follows:

	2005	2004
	£	£
Amounts repayable:		
In one year or less or on demand	69,351	—
In more than one year but not more than two years	145,293	69,351
In more than two years but not more than five years	493,796	464,229
In more than five years	<u>6,091,560</u>	<u>6,266,420</u>
	<u>6,800,000</u>	<u>6,800,000</u>

Brightstone Properties (Birkenhead) Limited

Notes to the Financial Statements

Year ended 31 May 2005

12. Deferred Taxation

No provision has been made for deferred taxation in respect of the property held as an investment which is included in these financial statements at a valuation of £8,162,000 (2004: £8,162,000). It is estimated that if this property were sold at that valuation the tax liability would amount to £52,650 (2004: £120,817).

The deferred tax asset of £59,740 (2004: £67,260) arising on the tax losses available to carry forward against future profits has not been recognised.

13. Contingencies

No provision has been made in these Financial Statements for the arrears of the Preference Dividends of £49,000 per annum payable to the holders of the Cumulative Redeemable Preference Shares. At 31st March 2005 such dividends amounted to £269,098 (2003: £220,098).

14. Related Party Transactions

Throughout the year, the company was jointly controlled by Peter Shalson and VIN-Rotch Properties Limited Inc. It is not known who controls VIN-Rotch Properties Limited Inc. Subsequently to the year end Mr. P. Shalson became the sole controlling party.

During the year Rotch Property Group Limited charged management fees of £10,000 (2004: £10,000).

Also included in the Profit and Loss Accounts is interest payable to Rotch Properties Limited of £13,886 (2004: £12,070) and interest payable to Mr. P. Shalson of £13,136 (2003: £12,930).

15. Share Capital

Authorised share capital:

	2005	2004
	£	£
500 Ordinary A shares of £1 each	500	500
500 Ordinary B shares of £1 each	500	500
700,000 Cumulative Redeemable Preference shares of £1 each	700,000	700,000
	<u>701,000</u>	<u>701,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No.	£	No.	£
Ordinary A shares of £1 each	50	50	50	50
Ordinary B shares of £1 each	50	50	50	50
Cumulative Redeemable Preference shares of £1 each	700,000	700,000	700,000	700,000
	<u>700,100</u>	<u>700,100</u>	<u>700,100</u>	<u>700,100</u>

Brightstone Properties (Birkenhead) Limited

Notes to the Financial Statements

Year ended 31 May 2005

15. Share Capital *(continued)*

The company's Ordinary 'A' and 'B' shares rank pari passu in all respects.

As regards voting rights, the holders of the Cumulative Redeemable Preference Shares are only entitled to vote at General Meeting on resolutions concerning the winding up of the company, reduction in share capital or modification of the rights of the Cumulative Redeemable Preference Shares.

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.

The arrears of preference dividends in respect of the five financial periods ended 31st May 2005 on the Cumulative Redeemable Preference shares amounted to £269,098 (2004: £220,098).

On a winding up, the Cumulative Redeemable Preference shareholders are entitled to a return of paid up capital and any arrears of dividends.

The Cumulative Redeemable Preference shares may be redeemed at 21 days notice by the company provided that all shareholder loans and interest thereon have been fully repaid.

16. Reconciliation of Movements in Shareholders' Funds

Equity Shareholders' Funds

	2005 £	2004 £
Profit/(Loss) for the financial year	24,858	(17,460)
Other net recognised gains and losses	—	(132,000)
Net addition/(reduction) to shareholders' equity funds	24,858	(149,460)
Opening shareholders' equity funds	1,053,007	1,202,467
Closing shareholders' equity funds	<u>1,077,865</u>	<u>1,053,007</u>

Non-Equity Shareholders' Funds

Opening and closing shareholders' non-equity funds	<u>700,000</u>	<u>700,000</u>
Total Shareholders' Funds	<u>1,777,865</u>	<u>1,753,007</u>