

Martin's Properties (Kensington) Limited

REPORT AND FINANCIAL STATEMENTS

5 April 2004



Martin's Properties (Kensington) Limited

DIRECTORS AND OFFICERS

DIRECTORS

PG Martin
TH Martin

SECRETARY

AM Burbridge

REGISTERED OFFICE

2 Bloomsbury Street
London WC1B 3ST

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BUSINESS ADDRESS

36 Walpole Street
London SW3 4QS

BANKERS

The Royal Bank of Scotland plc
London Belgravia Branch
24 Grosvenor Place
London SW1X 7HP

Martin's Properties (Kensington) Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Martin's Properties (Kensington) Limited for the year ended 5 April 2004.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of property investment.

REVIEW OF THE BUSINESS

The directors are satisfied with results for the year and expect continued growth over the coming year.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS

The following directors have held office since 1 May 2003:

PG Martin
TH Martin

DIRECTORS' INTERESTS IN SHARES

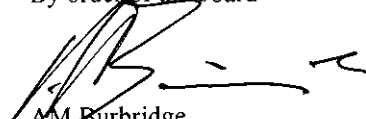
Directors' interests in shares of the company were as follows:

	Ordinary shares of £1 each	
	5 April 2004	5 April 2003
P G Martin	10,000	10,000
T H Martin	-	-
	<u> </u>	<u> </u>

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board


A.M. Burbridge
Secretary

4 February 2005

Martin's Properties (Kensington) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 period. In preparing those 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARTIN'S PROPERTIES (KENSINGTON) LIMITED

We have audited the financial statements on pages 5 to 11.

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 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.

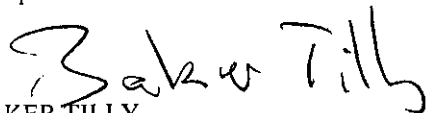
Basis of opinion

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 at 5 April 2004 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
2 Bloomsbury Street
London WC1B 3ST

4 February 2005

Martin's Properties (Kensington) Limited
PROFIT AND LOSS ACCOUNT
for the year ended 5 April 2004

	Notes	Year to 5 April 2004 £	Restated 9 months to 5 April 2003 £
TURNOVER	1	450,001	88,528
Direct Property Expenses		(5,361)	(4,816)
GROSS PROFIT		<u>444,640</u>	<u>83,712</u>
Administration expenses		(8,965)	(13,358)
OPERATING PROFIT		<u>435,675</u>	<u>70,354</u>
Interest payable	2	(490,640)	(152,667)
Finance cost		(4,365)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(59,330)</u>	<u>(82,313)</u>
Taxation	4	(23,194)	23,194
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(82,524)</u></u>	<u><u>(59,119)</u></u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 5 April 2004

	Year to 5 April 2004 £	Restated 9 months to 5 April 2003 £
Loss for the financial year	(82,524)	(59,119)
Unrealised deficit on revaluation of property	-	(1,168,689)
Total recognised gains and losses relating to the year	<u><u>(82,524)</u></u>	<u><u>(1,227,808)</u></u>

Martin's Properties (Kensington) Limited

BALANCE SHEET

For the year ended 5 April 2004

	Notes	2004 £	Restated 2003 £
FIXED ASSETS			
Tangible assets	6	7,500,000	7,500,000
CURRENT ASSETS			
Debtors	7	-	23,194
Cash at bank and in hand		41,386	114,533
		<u>41,386</u>	<u>137,727</u>
CREDITORS: Amounts falling due within one year	8	(173,010)	(204,192)
NET CURRENT LIABILITIES		<u>(131,624)</u>	<u>(66,465)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,368,376	7,433,535
CREDITORS: Amounts falling due after more than one year	9	(8,668,708)	(8,651,343)
		<u>(1,300,332)</u>	<u>(1,217,808)</u>
CAPITAL AND RESERVES			
Called up share capital	10	10,000	10,000
Profit and loss account	11	(141,643)	(59,119)
Revaluation reserve	12	(1,168,689)	(1,168,689)
SHAREHOLDERS' FUNDS	13	<u>(1,300,332)</u>	<u>(1,217,808)</u>

Approved by the board on 4 February 2005

PG Martin

Director

Martin's Properties (Kensington) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties.

The financial statements have been prepared on the going concern basis in view of the support from related company as described in note 9.

The following accounting policies are consistent with those used in previous years except with regard to accounting for investments properties. The comparative figures have been restated where appropriate.

Investment properties are accounted for in accordance with SSAP19 "Accounting for Investments Properties", which provides that these should not be subject to periodic depreciation charge (unless held on lease), but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting on the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the final position, the accounting treatment required by SSAP19 is considered appropriate for investment properties.

Details of the current value and historical cost information for investment properties are given in note 6.

TANGIBLE FIXED ASSETS

Depreciation is not provided on investment properties.

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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TURNOVER

Turnover represents the invoiced value of rents receivable.

Martin's Properties (Kensington) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 5 April 2004

1 TURNOVER

The company's turnover was all derived from its principal activity wholly undertaken within the United Kingdom.

2 INTEREST PAYABLE

	Year to 5 April 2004 £	9 months to 5 April 2003 £
On bank loan	306,750	88,684
On intercompany loan	183,890	63,983
	<u>490,640</u>	<u>152,667</u>

3 LOSS ON ORDINARY ACTIVITIES

	Year to 5 April 2004 £	9 months to 5 April 2003 £
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration	4,500	4,000
	<u>4,500</u>	<u>4,000</u>

4 TAXATION

	Year to 5 April 2004 £	9 months to 5 April 2003 £
UK Corporation Tax at 30%	-	-
Deferred tax	23,194	(23,194)
	<u>23,194</u>	<u>(23,194)</u>

Factors affecting tax charge for the period

The tax assessed for the period is at the standard rate of corporation tax in the UK (30%). The differences are explained below:

Loss on ordinary activities before tax	(59,330)	(82,313)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%).	(17,799)	(24,694)
Effects of:		
Expenses not deductible for tax purposes	-	1,500
Unutilised tax losses	17,799	23,194
Current tax charge for period	<u>-</u>	<u>-</u>

Martin's Properties (Kensington) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 5 April 2004

5 PRIOR YEAR ADJUSTMENT

The company has adopted SSAP 19 and revalued its investment properties. The comparative figures have been restated to reflect this new policy.

The effect of this change is as follows:

Balance sheet	£
Fixed assets	(1,168,689)
Revaluation reserve	<u>(1,168,689)</u>

6 TANGIBLE FIXED ASSETS

Restated
Investment
properties
£

Cost or valuation 6 April 2003 and 5 April 2004	<u>7,500,000</u>
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The investment property is stated at directors' valuation at the year end. The historic cost of the property is £8,668,689 (2003: £8,668,689).

7 DEBTORS: Amounts falling due after more than one year	2004 £	2003 £
Other debtors - deferred tax asset	-	23,194

The deferred tax asset related to unutilised tax losses.

	£
Deferred tax	
6 April 2003	23,194
Charged to profit and loss account	<u>(23,194)</u>
5 April 2004	<u>-</u>

8 CREDITORS: Amounts falling due within one year	2004 £	2003 £
Other taxation and social security	19,214	11,695
Accruals and deferred income	132,608	128,514
Other creditors	21,188	63,983
	<u>173,010</u>	<u>204,192</u>

Martin's Properties (Kensington) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 5 April 2004

9	CREDITORS: Amounts falling due in more than one year	2004 £	2003 £
	Bank loan	4,995,000	4,995,000
	Less: unamortised loan arrangement fees	(39,292)	(43,657)
		<u>4,955,708</u>	<u>4,951,343</u>
	Other creditors	3,713,000	3,700,000
		<u>8,668,708</u>	<u>8,651,343</u>
	Repayable by instalments:		
	In one to two years	-	-
	Over two and under five years	532,924	368,921
	In five years or more	4,462,076	4,626,079
		<u>4,995,000</u>	<u>4,995,000</u>
	Less: unamortised loan arrangement fees	(39,292)	(43,657)
		<u>4,955,708</u>	<u>4,951,343</u>

The bank loan is secured by a First Legal charge over the property and its associated assets. Interest has been hedged such that the amount payable over the term of the loan has been fixed at 4.97%.

Other creditors represents a loan from Radnor Walk Investments Limited a company under common control. Interest is charged at a fixed rate of 4.97%. Radnor Walk Investments Limited has undertaken not to seek repayment of the amount due to the extent that any such repayment would be to the detriment of the other creditors of the paying company.

10	SHARE CAPITAL	2004 £	2003 £
	Authorised:		
	10,000 ordinary shares of £1 each	10,000	10,000
		<u>10,000</u>	<u>10,000</u>
	Allotted, issued and fully paid:		
	10,000 ordinary shares of £1 each	10,000	10,000
		<u>10,000</u>	<u>10,000</u>
11	PROFIT AND LOSS ACCOUNT	Year to 5 April 2004 £	9 months to 5 April 2003 £
	1 May 2003	(59,119)	-
	Loss for the period	(82,524)	(59,119)
	5 April 2004	<u>(141,643)</u>	<u>(59,119)</u>

Martin's Properties (Kensington) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 5 April 2004

12 REVALUATION RESERVE

	2004 £	Restated 2003 £
6 April 2003	(1,168,689)	-
Deficit on revaluation of investment property	-	(1,168,689)
5 April 2004	(1,168,689)	(1,168,689)

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	Restated 2003 £
Loss for the period	(82,524)	(59,119)
Other recognised gains and losses relating to the year	-	(1,168,689)
Net reduction in shareholders' funds	(82,524)	(1,227,808)
Opening shareholders' funds (as restated)	(1,217,808)	10,000
Closing shareholders' funds	(1,300,332)	(1,217,808)

14 RELATED PARTY TRANSACTIONS

Name of related party	Relationship	Nature of transactions	2004 Transaction Amount £	2004 Due (to)/from related party £	2003 Transaction Amount £	2003 Due (to)/from related party £
Radnor Walk Investments Limited	Common control	Loan Interest	(13,000) (183,890)	(3,713,000) (18,011)	(3,700,000) (63,983)	(3,700,000) (63,983)

15 CONTROL

The ultimate controlling party are the trustees of the Peter Martin Childrens Settlement.

Martin's Properties (Kensington) Limited
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
for the year to 5 April 2003

	Year to 5 April 2004 £	9 months to 5 April 2003 £
TURNOVER		
Rent receivable	450,001	88,528
DIRECT PROPERTY COSTS		
Professional fees for property	5,361	4,816
	(5,361)	(4,816)
ADMINISTRATIVE EXPENDITURE		
Printing, postage and stationery	-	75
Legal and professional fees	-	9,113
Audit and accountancy fees	8,775	4,000
Bank charges	175	170
Subscriptions	15	-
	(8,965)	(13,358)
OPERATING PROFIT	435,675	70,354
INTEREST PAYABLE		
Bank interest	-	2,805
Loan interest	490,640	149,862
Finance cost	4,365	-
	(495,005)	(152,667)
NET LOSS BEFORE TAXATION	(59,330)	(82,313)

This page does not form part of the statutory financial statements.