Crunch (Propco) Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2008

Company Registration No. 05703579

Crunch (Propco) Limited
DIRECTORS AND OFFICERS

DIRECTORS

A M Brown
M Grunnell
T J Smalley
R Tchenguiz

SECRETARY

M H P Ingham

COMPANY NUMBER

05703579 (England and Wales)

REGISTERED OFFICE

4th Floor
Leconfield House
Curzon Street
London
W1J 5JA

AUDITORS

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

SOLICITORS

Olswang
90 High Holborn
London
WC1V 6XX

The directors present their report and financial statements of Crunch (Propco) Limited for the year ended 31 May 2008.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is the letting of investment property. There were no additions or disposals of investment property during the year.

The investment properties held at 31 May 2008 were valued as at that date at £45,587,900 by the directors. The decrease in value during the period amounted to £4,206,700 as set out in note 7.

No rent reviews have been undertaken since the purchase of the properties. Rent reviews are every 5 years. The next review is due to occur on 21 June 2011.

In the opinion of the directors the result for the period and the financial position of the company at 31 May 2008 were satisfactory, given the support Rotch Property Group Limited, a related company.

KEY PERFORMANCE INDICATORS

The directors use the following key indicators to measure performance:

	2008	2007
Ratio of loan to property value	95%	87%
Interest rental cover	110%	112%

RISKS AND UNCERTAINTIES

It is the company's policy that no trading in financial instruments shall be undertaken. The company only enters into derivative contracts as part of its risk mitigation strategy.

The company is exposed to interest rate risks, tenant credit risk, cashflow risks, market value risks and third party risk and details of these and its mitigation approaches are as follows:

Interest rate risk

The risk has been mitigated by the company only being party to fixed interest rate loans.

Tenant credit risk

The risk has been mitigated by the company only taking on appropriate tenants with credit checks undertaken by Prime Estates Management Limited, a related company.

Cash flow risk

The company minimises its cash flow risk of non performance on its loan agreements by minimising its tenant credit risk and by arranging for its rentals to be paid by direct transfer.

Crunch (Propco) Limited
DIRECTORS' REPORT (CONTINUED)

Market value risk

The company's investment property values are determined by market forces outside of the company's control.

A reduction in the market value of the investment property could give rise to a risk of default as the loan funding includes loan to value covenants. The company minimises its exposure to loan defaults resulting from falls in property market values by spreading its property portfolio over a diverse geographical area.

Third party risk

The company is exposed to third party risk as the company's assets and undertakings are charged in respect of the loan finance provided to fellow group companies and the loan guarantee arrangements (see note 11).

DIRECTORS

The following directors have held office since 1 June 2007:

A M Brown
M Grunnell
T J Smalley
R Tchenguiz

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 auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

On behalf of the board

R Tchenguiz
Director

27 February 2009

Crunch (Propco) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 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. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. 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 AUDITOR'S REPORT TO THE MEMBERS OF CRUNCH (PROPCO) LIMITED

We have audited the financial statements on pages 6 to 18.

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 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 May 2008 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

27 February 2009

Crunch (Propco) Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2008

	Notes	2008 £	2007 £
RENT RECEIVABLE		2,999,533	2,849,736
Cost of sales: ground rent		(73,934)	-
Gross profit		2,925,599	2,849,736
Other operating expenses	1	(28,130)	(22,040)
OPERATING PROFIT		2,897,469	2,827,696
Investment income	2	-	416
		2,897,469	2,828,112
Interest payable and similar charges	3	(2,772,566)	(2,619,571)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	124,903	208,541
Taxation	6	(36,018)	(27,061)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	88,885	181,480

All amounts derive from continuing activities.

Crunch (Propco) Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 May 2008

	2008	2007
	£	£
Profit for the financial year	88,885	181,480
Unrealised (deficit)/surplus on revaluation of properties	(4,206,700)	1,229,874
Total recognised gains and losses relating to the year	(4,117,815)	1,411,354

Crunch (Propco) Limited

BALANCE SHEET

31 May 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Tangible assets	7	45,587,900	49,794,600
Investments	8	2	2
		45,587,902	49,794,602
CURRENT ASSETS			
Debtors: amounts falling due within one year	9	150,301	190,717
Debtors: amounts falling due after more than one year	9	533,856	609,750
		684,157	800,467
CREDITORS: Amounts falling due within one year	10	(825,507)	(775,703)
NET CURRENT (LIABILITIES)/ASSETS		(141,350)	24,764
TOTAL ASSETS LESS CURRENT LIABILITIES		45,446,552	49,819,366
CREDITORS: Amounts falling due after more than one year	11	(48,089,933)	(48,380,950)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(63,079)	(27,061)
NET (LIABILITIES)/ASSETS		(2,706,460)	1,411,355
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Revaluation reserve	14	(2,976,826)	1,229,874
Profit and loss account	14	270,365	181,480
SHAREHOLDERS' FUNDS	15	(2,706,460)	1,411,355

The financial statements on pages 6 to 18 were approved by the board of directors and authorised for issue on 27 February 2009 and are signed on its behalf by:

R Tchenguiz Director

Crunch (Propco) Limited
ACCOUNTING POLICIES

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

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

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

GOING CONCERN
The company's property investment and funding structure has been set up to be principally self funding.

The directors have assessed the operation of the structure as described in note 11 and the continuation and availability of support being provided by Rotch Property Group Limited (see note 18), a related company, and have determined that the company has, or can expect to have, sufficient working capital for its needs for at least the next 12 months. In view of this the directors consider it appropriate to prepare the accounts on the going concern basis.

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 is a departure from the requirements of the Companies Act concerning the 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 seperately identified or quantified.

INVESTMENTS
Fixed asset investments are stated at cost less provision for diminution in value.

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.

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value.

Deferred tax is measured at the 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.

LEASED ASSETS
The annual rentals on 'operating leases' are charged to the profit and loss account on a straight line basis over the lease term.

GROUP ACCOUNTS
The company and its subsidiary undertakings comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

CASH FLOW
The company is exempt from the requirement to prepare a cash flow statement as it is entitled to the exemptions for small companies' accounts set out in section 246 to 249 of the Companies Act 1985.

RENT RECEIVABLE

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on a straight line basis over the term of the lease. Contingent rents such as turnover rents and indexed rents are recognised as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

1. OTHER OPERATING EXPENSES

	2008	2007
	£	£
Administrative expenses	28,130	22,040

2. INVESTMENT INCOME

	2008	2007
	£	£
Other interest	-	416

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Loan interest payable to group undertakings	2,696,774	2,549,346
Amortisation of finance costs	75,792	70,225
	2,772,566	2,619,571

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008	2007
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Operating lease rentals:		
Land and buildings	73,934	-
Auditor's remuneration	3,000	2,000

5. EMPLOYEES

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

6. TAXATION

	2008	2007
	£	£
Current tax charge	-	-
Deferred tax		
Deferred tax charge current period	37,822	27,061
Effect of change in tax rate	(1,804)	-
	36,018	27,061
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	124,903	208,541
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2007: 30.00%)	34,973	62,562
Effects of:		
Non deductible expenses	28	3
Capital allowances in excess of depreciation	(37,822)	(27,061)
UK transfer pricing	96	224
Group relief	2,725	(35,728)
	(34,973)	(62,562)
Current tax charge	-	-

7. TANGIBLE FIXED ASSETS

	Investment property £
Valuation	
1 June 2007	49,794,600
Revaluation (deficit)	(4,206,700)
31 May 2008	45,587,900

Investment property at net book value comprises:	2008 £	2007 £
Freehold	25,697,900	27,850,600
Long leasehold	19,890,000	21,944,000
	45,587,900	49,794,600

The Freehold property was valued at 31 May 2008 at £25,697,900 (2007: £27,850,600) by the directors. The Freehold property's original cost was £26,004,470.

The Leasehold property was valued at 31 May 2008 at £19,890,000 (2007: £21,944,000) by the directors. The Leasehold property's original cost was £22,560,256.

8. FIXED ASSET INVESTMENTS

	Shares in group undertakings
	£
Cost or valuation	
1 June 2007 and 31 May 2008	2

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies:

Company	*Country of registration or incorporation*	*Shares held*	
		Class	*%*
Subsidiary undertakings			
Bracemanor Limited	United Kingdom	ordinary	100
Artvalley Limited	United Kingdom	ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	*Profit/(loss) for the year*
	£	£
Bracemanor Limited	1	-
Artvalley Limited	1	-

9. DEBTORS

	2008	2007
	£	£
Trade debtors	3	40,381
Amounts owed by group undertakings	1	1
Other debtors	74,712	74,851
Prepayments and accrued income	609,441	685,234
	684,157	800,467

Amounts falling due after more than one year and included in the debtors above are:

	2008	2007
	£	£
Prepayments	533,856	609,750

10. CREDITORS: Amounts falling due within one year

	2008	2007
	£	£
Loan from group undertaking (note 11)	292,856	275,913
Amounts owed to group undertakings	2	2
Other creditors	56,778	29,526
Accruals and deferred income	475,871	470,262
	825,507	775,703

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

	2008	2007
	£	£
Loan from group undertaking	48,089,933	48,380,950

Group loan maturity analysis:		
In more than one year but not more than two years	311,102	292,856
In more than two years but not more than five years	2,041,827	1,460,457
In more than five years	40,530,462	41,422,934
	42,883,391	43,176,247

The loan from the group undertaking is from Arkmist Limited and is in two elements.

The first element is financed by a loan from a bank to that group undertaking and comprises separate facilities, senior loan A and senior loan B.

Senior loan A is repayable by instalments by June 2016 and bears interest at a fixed rate of 6.09% per annum. The amount outstanding as at 31 May 2008 is £39,226,247 (2007: £39,502,160).

Senior loan B is repayable by instalments by June 2016 and bears interest at a fixed rate of 7.34% per annum. The amount outstanding as at 31 May 2008 is £3,950,000 (2007: £3,950,000).

This element of the loan is secured by a fixed and floating charge over the investment properties, other assets and business undertaking of the company and by way of the provision of cross-guarantees to the bank.

The second element of the loan of £5,206,542 (2007: £5,204,703) is interest free and Arkmist Limited has agreed not to demand repayment of the amount due to it should that result in the company not being able to meet its obligations in the normal course of business.

12. DEFERRED TAXATION

	Deferred taxation
	£
Balance at 1 June 2007	27,061
Transfer from profit and loss account	36,018
Balance at 31 May 2008	63,079

	2008	2007
	£	£
Excess of tax allowances over depreciation	63,079	27,061

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 £45,587,900 (2007: £49,794,600). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £nil (2007: £nil).

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2008

13. SHARE CAPITAL

	2008	2007
	£	£
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, issued and fully paid:		
1 ordinary share of £1	1	1

14. STATEMENT OF MOVEMENT ON RESERVES

	Revaluation reserve	*Profit and loss account*
	£	£
1 June 2007	1,229,874	181,480
Retained profit for the year	-	88,885
Revaluation during the year	(4,206,700)	-
31 May 2008	(2,976,826)	270,365

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2008	2007
	£	£
Profit for the financial year	88,885	181,480
Other recognised gains and losses	(4,206,700)	1,229,874
Proceeds from issue of shares	-	1
Net (depletion in)/addition to shareholders' funds	(4,117,815)	1,411,355
Opening shareholders' funds	1,411,355	-
Closing shareholders' funds	(2,706,460)	1,411,355

16. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2008 the company had annual commitments under non-cancellable operating leases as follows:

	2008	2007
	£	£
Land and buildings expiring after five years	73,934	73,934

17. CONTROL

The immediate holding company is Crunch (Cayman) Limited, a company incorporated in the Cayman Islands. The ultimate United Kingdom holding company is Alumdawn Limited.

The directors regard the ultimate holding company to be Admirella Limited, a company incorporated in the British Virgin Islands.

At 31 May 2008 the Tchenguiz Discretionary Trust was the ultimate controlling party. During the year control changed and previously the ultimate controlling party had been the Tchenguiz Family Trust.

In view of the company's net liabilities, Alumdawn Limited has agreed to provide financial support as and when required to enable the company to meets its external obligations.

18. RELATED PARTY TRANSACTIONS

The company is related to Rotch Property Group Limited and its subsidiaries ("Rotch") with whom it has directors in common and whose ultimate controlling party is the Tchenguiz Family Trust.

During the period Rotch charged £25,000 (2007: £20,000) for management services. At the balance sheet date, and included in other creditors, £52,875 (2007: £23,500) was due to Rotch. Rotch has agreed not to demand repayment of the amount due to it should that result in the company not being able to meet its obligations in the normal course of business. Rotch has also agreed to provide limited additional support to assist the company in meeting its operational costs as they arise should this be necessary.

At the balance sheet date £48,382,789 (2007: (£48,656,863)) was owed to Arkmist Limited, a fellow group company, in respect of loan funding on which interest of £2,696,774 (2007: £2,549,346) was paid during the period.

At the balance sheet date £1 (2007: £1) was due from Crunch (Cayman) Limited.

At the balance sheet date £1 (2007: £1) was owed to Artvalley Limited and £1 (2007: £1) to Bracemanor Limited, both who are the company's subsidiary undertakings.

The company is related to other companies controlled by the Tchenguiz Discretionary Trust. At the balance sheet date, and included within other debtors, £37,024 (2007: £49,875) was due from one such company, R20 Limited.