

Crunch (Propco) Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2009

Company Registration No 05703579

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Crunch (Propco) Limited

COMPANY INFORMATION

DIRECTORS	A M Brown M Grunnell T J Smalley R Tchenguiz
SECRETARY	M H P Ingham
COMPANY NUMBER	05703579 (England & Wales)
REGISTERED OFFICE	4th Floor Leconfield House Curzon Street London W1J 5JA
AUDITORS	Baker Tilly UK Audit LLP The Clock House 140 London Road Guildford Surrey GU1 1UW
SOLICITORS	Osborne Clarke One London Wall London EC2Y 5EB

Crunch (Propco) Limited

DIRECTORS' REPORT

The directors present their report and the financial statements of Crunch (Propco) Limited (Registered number 05703579) for the year ended 31 May 2009

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is the letting of investment property. On 2 June 2008 the company sold two properties carried at £8,024,000 to its subsidiaries Artvalley Limited and Bracemanor Limited for a profit of £872,687 as they were sold for original cost.

The investment properties held at 31 May 2009 were valued as at that date at £28,905,200 by the directors. The decrease in value of the company's properties during the period amounted to £8,658,700 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 2009 were satisfactory, given the support of Alumdawn Limited, its ultimate UK holding company.

KEY PERFORMANCE INDICATORS

The directors use the following key indicators to measure performance

	<u>2009</u>	<u>2008</u>
Percentage change in net (liabilities)	(382%)	-
Ratio of loan to property value	168%	106%
Interest rental cover	91%	111%

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, cash flow 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 Property 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 16)

DIRECTORS

The following directors have held office since 1 June 2008

A M Brown
M Grunnell
T J Smalley
R Tchenguiz

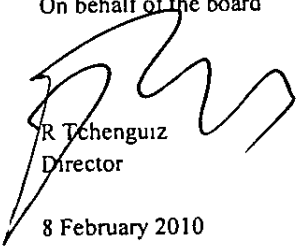
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

8 February 2010

Crunch (Propco) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Crunch (Propco) Limited

INDEPENDENT AUDITOR'S REPORT

To The Members Of Crunch (Propco) Limited

We have audited the financial statements on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 the directors and auditors

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2009 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

David Worrow FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

8 February 2010

Crunch (Propco) Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 May 2009

	Notes	2009 £	2008 £
RENT RECEIVABLE		2,427,961	2,999,533
Cost of sales		-	(73,934)
GROSS PROFIT		2,427,961	2,925,599
Other operating expenses (net)	1	(19,168)	(28,130)
OPERATING PROFIT		2,408,793	2,897,469
Profit on sale of investment property		872,687	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		3,281,480	2,897,469
Investment income	2	548,923	-
Interest payable and similar charges	3	(2,747,014)	(2,772,566)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,083,389	124,903
Taxation	6	(57,884)	(36,018)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	1,025,505	88,885

All amounts derive from continuing activities

Crunch (Propco) Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 May 2009

	2009 £	2008 £
Profit for the financial year	1,025,505	88,885
Unrealised deficit on revaluation of properties	(8,658,700)	(4,206,700)
Total recognised gains and losses relating to the year	<u>(7,633,195)</u>	<u>(4,117,815)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 May 2009

	2009 £	2008 £
Reported profit on ordinary activities before taxation	1,083,389	124,903
Realisation of property revaluation gains of previous years	872,687	-
Historical cost profit on ordinary activities before taxation	<u>1,956,076</u>	<u>124,903</u>
Historical cost profit for the year retained after taxation	<u>1,898,192</u>	<u>88,885</u>

Crunch (Propco) Limited

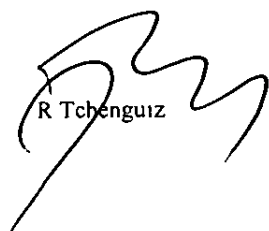
BALANCE SHEET

As at 31 May 2009

Company registration No 05703579

	Notes	2009 £	2008 £
FIXED ASSETS			
Tangible assets	7	28,905,200	45,587,900
Investments	8	2	2
		<u>28,905,202</u>	<u>45,587,902</u>
CURRENT ASSETS			
Debtors amounts falling due within one year	9	9,607,929	150,301
Debtors amounts falling due after more than one year	9	458,272	533,856
CREDITORS Amounts falling due within one year	10	<u>(830,913)</u>	<u>(825,507)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>9,235,288</u>	<u>(141,350)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>38,140,490</u>	<u>45,446,552</u>
CREDITORS Amounts falling due after more than one year	11	<u>(48,359,180)</u>	<u>(48,089,933)</u>
PROVISIONS FOR LIABILITIES	12	<u>(120,965)</u>	<u>(63,079)</u>
NET LIABILITIES		<u><u>(10,339,655)</u></u>	<u><u>(2,706,460)</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Revaluation reserve	14	(10,762,839)	(2,976,826)
Profit and loss account	14	423,183	270,365
SHAREHOLDERS' FUNDS	15	<u><u>(10,339,655)</u></u>	<u><u>(2,706,460)</u></u>

The financial statements on pages 5 to 17 were approved by the board of directors and authorised for issue on 8 February 2010 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 company and its subsidiary undertakings comprise a small-sized group. The company has therefore taken advantage of the small companies regime under Part 15 ss 380 to 384 Companies Act 2006 not to prepare group accounts

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 separately identified or quantified

INVESTMENTS

Fixed assets investments are stated at cost less provision for impairment

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 profit and loss on a straight line basis over the lease term

CASH FLOW

The company has taken advantage of the small company exemption from preparing a cash flow statement under the terms of FRS 1

Crunch (Propco) Limited

ACCOUNTING POLICIES (CONTINUED)

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.

Crunch (Propco) Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2009

1	OTHER OPERATING EXPENSES (NET)	2009 £	2008 £
	Administrative expenses	62,809	28,130
	Other operating income	(43,641)	-
		<u>19,168</u>	<u>28,130</u>
2	INVESTMENT INCOME	2009 £	2008 £
	Interest receivable from fellow group undertakings	<u>548,923</u>	<u>-</u>
3	INTEREST PAYABLE AND SIMILAR CHARGES	2009 £	2008 £
	Interest payable to group undertakings	2,671,429	2,696,774
	Amortisation of finance costs	75,585	75,792
		<u>2,747,014</u>	<u>2,772,566</u>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2009 £	2008 £
	Profit is stated after charging		
	Operating lease rentals	-	73,934
	Auditor's remuneration	3,500	3,000
		<u>-</u>	<u>76,934</u>

5 EMPLOYEES

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

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2009

6	TAXATION	2009 £	2008 £
	UK Corporation tax	-	-
	Current tax charge	-	-
	Deferred tax		
	Adjustment in respect of prior year	(9,243)	-
	Deferred tax charge current period	67,127	37,822
	Effect of change in tax rate	-	(1,804)
	Total deferred tax	57,884	36,018
	Tax on profit on ordinary activities	57,884	36,018
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	1,083,389	124,903
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008 - 28.00%)	303,349	34,973
	Effects of		
	Non deductible expenses	9,607	28
	Capital allowances	(67,127)	(37,822)
	UK transfer pricing	39	96
	Group relief	(1,516)	2,725
	Non-chargeable property disposal	(244,352)	-
		(303,349)	(34,973)
	Current tax charge	-	-

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2009

7 TANGIBLE FIXED ASSETS

	Investment properties £
Valuation	
At 1 June 2008	45,587,900
Revaluation (deficit)	(8,658,700)
Disposals	(8,024,000)
At 31 May 2009	<u>28,905,200</u>

The properties were valued as at 31 May 2009 at £28,905,200 (2008 £45,587,900) by the directors

Investment property at net book value comprises	2009 £	2008 £
Freehold	19,700,200	25,697,900
Long Leasehold	<u>9,205,000</u>	<u>19,890,000</u>
	<u>28,905,200</u>	<u>45,587,900</u>

The Freehold property was valued as at 31 May 2009 at £19,700,200 (2008 £25,697,900) by the directors. The Freehold property's original cost was £26,004,470.

The Long Leasehold property was valued as at 31 May 2009 at £9,205,000 (2008 £19,890,000) by the directors. The Long Leasehold property's original cost was £13,663,569.

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2009

8 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
Cost or valuation	
At 1 June 2008 and at 31 May 2009	2

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	%
Bracemanor Limited	United Kingdom	ordinary	100 00
Artvalley Limited	United Kingdom	ordinary	100 00

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

	Principal activity	Capital and reserves 2009 £	Profit/(loss) for the year 2009 £
Bracemanor Limited	Property Investment	(1,051,849)	(6,142)
Artvalley Limited	Property Investment	(1,558,005)	(8,027)

9 DEBTORS

	2009 £	2008 £
Trade debtors	-	3
Amounts owed by group undertakings	9,351,390	1
Other debtors	122,392	74,712
Prepayments and accrued income	592,419	609,441
	<u>10,066,201</u>	<u>684,157</u>

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

	2009 £	2008 £
Prepayments	<u>458,272</u>	<u>533,856</u>

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2009

10	CREDITORS Amounts falling due within one year	2009 £	2008 £
	Loan from group undertaking (note 11)	311,102	292,856
	Amounts owed to group undertakings	-	2
	Other creditors	80,855	56,778
	Accruals and deferred income	438,956	475,871
		<u>830,913</u>	<u>825,507</u>
11	CREDITORS Amounts falling due after more than one year	2009 £	2008 £
	Loan from group undertaking	<u>48,359,180</u>	<u>48,089,933</u>
	Group loan maturity analysis		
	In more than one year but not more than two years	301,442	311,102
	In more than two years but not more than five years	2,682,039	2,041,827
	In more than five years	39,588,808	40,530,462
		<u>42,572,289</u>	<u>42,883,391</u>

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 2009 is £38,933,391 (2008 £39,226,247)

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 2009 is £3,950,000 (2008 £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 £5,786,891 (2008 £5,206,542) 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

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2009

12 PROVISIONS FOR LIABILITIES

	Deferred tax liability £
Balance at 1 June 2008	63,079
Profit and loss account	57,884
	<u>120,965</u>
Balance at 31 May 2009	<u>120,965</u>

The deferred tax liability is made up as follows

	2009 £	2008 £
Excess of capital allowances over depreciation	<u>120,965</u>	<u>63,079</u>

13 SHARE CAPITAL

	2009 £	2008 £
Allotted, issued and fully paid		
Equity Shares		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

14 RESERVES

	Revaluation reserve £	Profit and loss account £
Balance at 1 June 2008	(2,976,826)	270,365
Profit for the year	-	1,025,505
Transfer from revaluation reserve to profit and loss account	872,687	(872,687)
Revaluation during the year	<u>(8,658,700)</u>	<u>-</u>
Balance at 31 May 2009	<u>(10,762,839)</u>	<u>423,183</u>

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2009

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2009	2008
	£	£
Profit for the financial year	1,025,505	88,885
Other recognised gains and losses	(8,658,700)	(4,206,700)
Net depletion in shareholders' funds	(7,633,195)	(4,117,815)
Opening shareholders' funds	(2,706,460)	1,411,355
Closing shareholders' funds	(10,339,655)	(2,706,460)

16 CONTINGENT LIABILITIES

The group bank loan is secured on the company's investment properties, and is subject to cross-guarantees and cross-collateralisation of the underlying properties used as security with the bank. The total value of the group loans subject to this cross-collateralisation as at 31 May 2009, including the company's loan, is £42,883,391.

17 FINANCIAL COMMITMENTS

At 31 May 2009 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 May 2010:

	Land and buildings	
	2009	2008
	£	£
Operating leases which expire		
In over five years	10,200	73,934

These amounts are rechargeable to tenants.

18 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 2009 the Tchenguiz Discretionary Trust was the ultimate controlling party.

Crunch (Propco) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2009

19 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 (2008 £25,000) for management services. At the balance sheet date, and included in other creditors, £80,855 (2008 £52,875) 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.

The company is related to other companies controlled by the Tchenguiz Discretionary Trust. At the balance sheet date, and included within other debtors, £105,004 (2008 £37,024) was due from one such company, R20 Limited.

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 meet its external obligations.