

224 KHS DEVELOPMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 2010

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DIRECTORS' REPORT

The directors present their directors' report and audited financial statements for the year ended 31 March 2010

Principal activity and business review

The company acts as general partner to the 224 Kensington High Street Limited Partnership, which is involved in property investment and development.

Results and dividend

The result for the year is shown in the profit and loss account on page 4

The directors do not recommend the payment of a dividend (2009 £nil)

Directors

The directors who held office during the year and to the date of this report were as follows

R P Burrow
M A Wenlock
J P Codling (resigned 17 December 2009)
S A Lipton (appointed 17 December 2009)
R J Grievson
M K Scrace

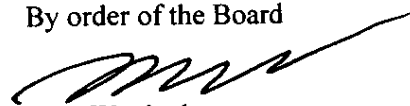
Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as each is aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed as auditors and will therefore continue in office

By order of the Board


M A Wenlock
Director
16 August 2010

67 Brook Street
London, W1K 4NJ

224 KHS DEVELOPMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 224 KHS DEVELOPMENTS LIMITED

We have audited the financial statements of 224 KHS Developments Limited for the year ended 31 March 2010 set out on pages 4 to 7. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 of the financial statements

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

Opinion on 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 March 2010 and of its result for the year then ended,
- have been properly prepared in accordance with UK 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



WEJ Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

16 August 2010

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Turnover		2,269,045	4,393,347
Cost of sales		<u>(2,269,045)</u>	<u>(4,393,347)</u>
Operating result, before and after taxation for the financial year	2	<u> -</u>	<u> -</u>

All activities relate to continuing operations.

There were no recognised gains or losses other than those recognised above and accordingly no statement of total recognised gains and losses is presented

BALANCE SHEET**At 31 March 2010**

	Notes	2010 £	2009 £
Current assets			
Debtors	3	<u>35,944</u>	<u>757,816</u>
		35,944	757,816
Creditors amounts falling due within one year	4	<u>(35,844)</u>	<u>(757,716)</u>
Net current assets		<u>100</u>	<u>100</u>
Total assets less current liabilities and net assets		<u>100</u>	<u>100</u>
Capital and reserves			
Called up share capital	5	<u>100</u>	<u>100</u>
Shareholders' funds		<u>100</u>	<u>100</u>

These financial statements were approved by the board of directors on 16 August 2010 and signed on its behalf by



M A Wenlock
Director

NOTES TO THE FINANCIAL STATEMENTS1 ACCOUNTING POLICIES

The principal accounting policies have been applied consistently throughout the year and are set out below

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost accounting rules and on the basis that the company is a going concern

Basis of preparation

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future, which the directors believe to be appropriate for the following reasons

The company is a guarantor under loan facilities drawn by The Kensington High Street Limited Partnership, of which the company is a partner, and Finnigan Sarl, which is a subsidiary of The Kensington High Street Limited Partnership, which use those funds to fund their pre-planning activities relating to investment property held for development. During the year planning consent was obtained for the redevelopment of the the largest property. On 5 March 2010 the current bank loan facility of £53,600,000 expired, however subsequent to the balance sheet date the term of this loan was extended to 5 September 2010. The borrowers are and have been in compliance with all the covenants in the current bank loan facility

The borrowers are currently in discussions with potential lenders to enter into new funding arrangements before 5 September 2010 that would provide sufficient funding to cover existing loan obligations and also provide sufficient funding for ongoing cash requirements to facilitate those entities continuing with their current plans. At the date of this report no such refinancing has been agreed, however after considering the intrinsic value of the related property assets, the directors are confident that the assets of the partnership exceed its liabilities and that there will therefore be no recourse to the company

Turnover

Turnover represents amounts incurred and recharged to other entities, net of Value Added Tax. Amounts are recognised as they become receivable

2 PROFIT AND LOSS ACCOUNT

None of the directors received any remuneration from the company during the current or prior year

The company has no employees other than the directors (2009 nil)

Audit fees of £1,000 (2009 £1,000) have been borne by other group companies

3 DEBTORS

	2010	2009
	£	£
Amounts owed by the 224 Kensington High Street Limited Partnership	35,844	757,716
Other debtors	<u>100</u>	<u>100</u>
	<u>35,944</u>	<u>757,816</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)4 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Trade creditors	<u>35,844</u>	<u>757,716</u>

5 CALLED UP SHARE CAPITAL

	2010	2009
	Allotted, called up and fully paid £	Allotted, called up and fully paid £
'A' Ordinary shares of £1 each (65 issued)	65	65
'B' Ordinary shares of £1 each (35 issued)	<u>35</u>	<u>35</u>
	<u>100</u>	<u>100</u>

The holders of a majority of the 'A' Ordinary shares may appoint three board members and the holders of a majority of the 'B' Ordinary shares may appoint two board members. The 'A' Ordinary shares and the 'B' Ordinary shares rank pari passu in all other respects.

6 RELATED PARTY DISCLOSURES

During the year the company recharged costs of £2,269,045 (2009 £4,393,347) to the 224 Kensington High Street Limited Partnership. At the year end the company was owed £35,844 (2009 £757,716) by the 224 Kensington High Street Limited Partnership.

7 PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

The immediate parent undertaking of the company is CSSD Finance Sarl, a company incorporated in Luxembourg. The ultimate parent undertaking and controlling party of the company is Chelsfield Partners LLP, a limited liability partnership incorporated in England and Wales. The financial statements of that ultimate parent undertaking, which is the smallest and largest group in which these financial statements are consolidated, are available from 67 Brook Street, London W1K 4NJ.