

Hutch Investments (North Shields) Limited

FINANCIAL STATEMENTS

for the period ended

31 May 2008

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COMPANIES HOUSE

Company Registration No. 06274762

Hutch Investments (North Shields) Limited

DIRECTORS AND OFFICERS

DIRECTORS

R Tchenguiz
T J Smalley
M Grunnell
A Brown

SECRETARY

M H P Ingham

COMPANY NUMBER

06274762 (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

Hutch Investments (North Shields) Limited

DIRECTORS' REPORT

The directors present their report and financial statements of Hutch Investments (North Shields) Limited for the period ended 31 May 2008.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company was incorporated on 11 June 2007.

The company's principal activity is the letting of investment property. An investment property was purchased during the period.

The investment property held at 31 May 2008 was valued as at that date at £2,339,180 by directors. The increase in value during the period amounted to £418,789 as set out in Note 7.

The property was sold after the period end for £2,339,180 net of expenses.

There have been no changes in tenancy during the period.

In the opinion of the directors the result for the period and the financial position of the company as at 31 May 2008 were satisfactory.

KEY PERFORMANCE INDICATORS

The directors use the following key indicators to measure performance:

	<u>2008</u>
Percentage change in net assets	not relevant in the first period
Ratio of loan to property value	84%
Interest rental cover	117%

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 risks, cashflow risks and market value risks.

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 fellow group company.

Cashflow risk

The company minimises its cashflow risk of non performance on its loan agreements by minimising its tenant credit risk and by employing Prime Estates Management Limited, a fellow group company, as its management agents utilising their specialist skills to ensure collection of rent takes place on time.

Hutch Investments (North Shields) 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 cross-collateralising its property portfolio with that of other group companies so as to spread the risk over a more diverse portfolio and geographical area.

DIRECTORS

The following directors have held office since 11 June 2007:

R Tchenguiz	(Appointed 11 June 2007)
T J Smalley	(Appointed 11 June 2007)
M Grunnell	(Appointed 11 June 2007)
A Brown	(Appointed 11 June 2007)
London Law Services Limited	(Appointed 11 June 2007 and resigned 11 June 2007)

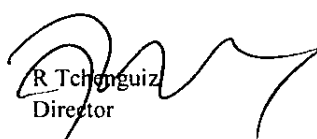
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

Baker Tilly UK Audit LLP was appointed auditor to the company and has indicated its willingness to continue in office.

On behalf of the board


R Tchenguiz
Director

20 February 2009

Hutch Investments (North Shields) 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 HUTCH INVESTMENTS (NORTH SHIELDS) LIMITED

We have audited the financial statements on pages 6 to 14.

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 period 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

Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

20 February 2009

Hutch Investments (North Shields) Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 May 2008

	<i>Notes</i>	Period ended 31 May 2008 £
RENT RECEIVABLE		149,218
Other operating expenses	1	<u>(7,919)</u>
OPERATING PROFIT		141,299
Investment income	2	<u>136</u>
		141,435
Interest payable and similar charges	3	<u>(130,873)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	10,562
Taxation	6	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u><u>10,562</u></u>

All amounts derive from continuing activities.

Hutch Investments (North Shields) Limited
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 31 May 2008

	<i>Notes</i>	Period ended 31 May 2008 £
Profit for the financial period		10,562
Unrealised surplus on revaluation of properties	7	418,789
		<hr/>
Total gains and losses recognised since last financial statements		429,351
		<hr/>

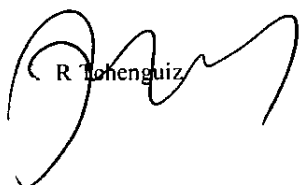
Hutch Investments (North Shields) Limited

BALANCE SHEET

31 May 2008

	<i>Notes</i>	2008 £
FIXED ASSETS		
Tangible assets	7	<u>2,339,180</u>
CURRENT ASSETS		
Debtors	8	72,140
CREDITORS: Amounts falling due within one year	9	<u>(25,321)</u>
NET CURRENT ASSETS		<u>46,819</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,385,999
CREDITORS: Amounts falling due after more than one year	10	<u>(1,955,648)</u>
NET ASSETS		<u><u>430,351</u></u>
CAPITAL AND RESERVES		
Called up share capital	12	1,000
Revaluation reserve	13	418,789
Profit and loss account	13	<u>10,562</u>
SHAREHOLDERS' FUNDS	14	<u><u>430,351</u></u>

The financial statements on pages 6 to 14 were approved by the board of directors and authorised for issue on 20 February 2009 and are signed on its behalf by:


R Tohenguiz

Director

Hutch Investments (North Shields) 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 in accordance with applicable accounting standards.

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

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 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.

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. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis.

RENT RECEIVABLE

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

When 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.

CASH FLOW STATEMENT

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.

Hutch Investments (North Shields) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 May 2008

1.	OTHER OPERATING EXPENSES	2008 £
	Administrative expenses	<u>7,919</u>
2.	INVESTMENT INCOME	2008 £
	Interest receivable	<u>136</u>
3.	INTEREST PAYABLE AND SIMILAR CHARGES	2008 £
	Loan interest payable to group undertakings	127,391
	Finance charges amortised	<u>3,482</u>
		<u>130,873</u>
4.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2008 £
	Profit on ordinary activities before taxation is stated after charging:	
	Auditor's remuneration	<u>2,000</u>
5.	EMPLOYEES	

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

Hutch Investments (North Shields) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 May 2008

6. TAXATION	2008
	£
Current tax charge	-
	<u> </u>
Factors affecting the tax charge for the period:	
Profit on ordinary activities before taxation	10,562
	<u> </u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00%	2,957
	<u> </u>
Effects of:	
Non deductible expenses	56
Group relief	(3,372)
UK transfer pricing	359
	<u> </u>
	(2,957)
	<u> </u>
Current tax charge	-
	<u> </u>

7. TANGIBLE FIXED ASSETS

	<i>Investment property</i>
	£
Valuation	
11 June 2007	-
Additions	1,920,391
Revaluation surplus	418,789
	<u> </u>
31 May 2008	2,339,180
	<u> </u>

The property was valued as at 31 May 2008 at £2,339,180 by the directors.

The original cost of the investment property was £1,920,391.

Investment property at net book value comprises:	2008
	£
Freehold	2,339,180
	<u> </u>

Hutch Investments (North Shields) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 May 2008

8. DEBTORS	2008 £
Trade debtors	3,458
Amounts owed by group undertakings	45,425
Prepayments and accrued income	23,257
	<u>72,140</u>

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

	2008 £
Prepayments and accrued income	<u>19,440</u>

9. CREDITORS: Amounts falling due within one year	2008 £
Taxes and social security costs	8,152
Other creditors	2,350
Accruals and deferred income	14,819
	<u>25,321</u>

10. CREDITORS: Amounts falling due after more than one year	2008 £
Loan	<u>1,955,648</u>

The group undertaking loan is repayable when the company's investment property is sold and bears interest at 7.14%. It is financed by a loan from a bank to that group undertaking, which is secured on the company's investment property, and is subject to cross-guarantees and cross-collateralisation of the underlying properties used as security with other group loans. The total value of the group loans subject to this cross-collateralisation as at 31 May 2008, including the company's loan, is £40,805,824.

11. DEFERRED TAXATION

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 £2,339,180. It is estimated that if this property were to be sold at that valuation the tax liability would amount to £93,602.

Hutch Investments (North Shields) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the period ended 31 May 2008

12. SHARE CAPITAL 2008 £

Authorised:	
1,000 ordinary shares of £1 each	1,000

Allotted, issued and fully paid:	
1,000 ordinary shares of £1 each	1,000

On 11 June 2007, the company was incorporated with an authorised share capital of 100 ordinary shares of £1 each and an issued share capital of 1 ordinary share of £1.

On 22 June 2007, the authorised share capital of the company was increased by £900 to 1,000 ordinary shares of £1 each.

On 22 June 2007 the company issued 999 ordinary shares of £1 each at par.

13. STATEMENT OF MOVEMENT ON RESERVES

	<i>Revaluation reserve £</i>	<i>Profit and loss account £</i>
Retained profit for the period	-	10,562
Revaluation during the period	418,789	-
31 May 2008	418,789	10,562

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS 2008 £

Result for the financial year	10,562
Other recognised gains and losses	418,789
Proceeds from issue of shares	1,000
Net addition to shareholders' funds	430,351
Opening shareholders' funds	-
Closing shareholders' funds	430,351

15. OWNERSHIP AND CONTROL

The company's immediate holding company is Kastara Limited, a company incorporated in the British Virgin Islands.

The ultimate holding company is Balmain Properties Limited, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Discretionary Trust.

Hutch Investments (North Shields) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 31 May 2008

16. RELATED PARTY TRANSACTIONS

At the balance sheet date, and included in creditors falling due after more than one year, is a loan of £1,955,648 which is due to Hutch Trading Limited, a fellow subsidiary. During the period, interest of £127,391 was charged on this loan.

At the balance sheet date, and included within amounts owed by group undertakings, is £45,425 due from R20 Limited, a fellow subsidiary.

The company is also related to other companies with whom it has a director in common. At the balance sheet date, and included within other creditors, £2,350 was due to one such company, Rotch Property Group Limited.

During the period, shares were issued to related parties at par. 939 shares were issued to Kastara Limited, the company's immediate holding company. 20 shares were issued to each of the following directors, T Smalley, A Brown and M Grunnell.