Chelsea Harbour Limited

Directors' report and financial statements

Registered number 00489113

31 March 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Principal activities

The company's principal activities are property investment and development

Results for year

The profit for the period after taxation was £869,000 (2006 loss £23,000) The directors consider the results for the year to be satisfactory

Proposed dividend

The directors do not recommend the payment of a dividend (2006 £nil)

Directors and directors' interests

The directors who held office during the year were as follows

GM MacEchern (resigned 29 June 2006)
T Cole
S Collins
O Smith (resigned 29 June 2006)
M Steinberg

None of the directors who held office at the end of the financial year had any disclosable interest in the shares and debentures of the company

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

The interests of M Steinberg, T Cole and S Collins in the ultimate parent company, City & General Securities Limited, are disclosed in the directors' report of that company

The company owns Chelsea Harbour a mixed development of commercial and residential units from which the company extracts rent, ground rent and service charges

Business Review

Investment properties

The level of net rental income of £7 8 million (2006 £7 2million) reflected the steady increase in lettings in 2006/7 In addition a deed of variation fee of £0 25 million has been included within turnover

Additions to investment portfolio

During the year Chelsea Harbour has undertaken a major refurbishment of the Design Centre and continues to modernise the other office buildings

Finance

During the year the company was able to draw down on £6 0 million of a £10 75million bank loan facilities made available from Chelsea Harbour Estates Limited in connection with the major refurbishment of the property

Principal risks facing the business

The principal risks facing the business are seen as a rise in vacancy levels in the investment property and a rise in interest rates Vacancy levels showed a significant reduction during the year

Chelsea Harbour Estates Limited has taken out a significant level of protection against interest rate increases

Political and charitable contributions

The company made no political contributions during the year (2006 £nil) No donations were made to UK charities in the financial year (2006 £nil)

Directors' report (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, 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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 to enable them to ensure that the financial statements comply with 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

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting policies or practice

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and,
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of haysmacintyre as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

Mark Steinberg
Director

C2-C3 The Chambers
Chelsea Harbour
London
SW10 0XF
19th September 2007

Independent Auditors' report to the Members of Chelsea Harbour Limited

We have audited the financial statements of Chelsea Harbour Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 and whether the information given in the Directors' Report is consistent with the financial statements We also 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 audit 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 as at 31 March 2007 and of its profit for the year then ended,
- the financial statements 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

haysmacintyre

haysmacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

19 September 2007

Profit and loss account
for the year ended 31 March 2007

	Note	2007 £000	2006 £000
Turnover	1	**8,085**	7,215
Operating costs		**(2,773)**	(2,267)
Operating profit	2	**5,312**	4,948
Interest receivable and similar income	4	**230**	222
Interest payable and similar charges	5	**(5,095)**	(5,286)
Profit/(loss) on ordinary activities before taxation		**447**	(116)
Tax on profit/loss on ordinary activities	6	**422**	93
Profit/(loss) for the year	14	**869**	(23)

The notes on page 7 to 13 form part of these financial statements

There is no difference between the results as stated in either year and the results on a historic cost basis

All items in the profit and loss account relate to continuing operations

Balance sheet

At 31 March 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		147,344		115,893
Investments	8		-		-
Current assets					
Debtors	9	8,524		11,139	
Cash at bank		8,045		4,243	
		16,569		15,382	
Creditors: amounts falling due within one year	10	(7,514)		(5,886)	
Net current assets			9,055		9,496
Total assets less current liabilities			156,399		125,389
Creditors: amounts falling due after more than one year	11		(86,542)		(81,806)
Provisions for liabilities and charges	12		(2,015)		(1,214)
Net assets			67,842		42,369
Capital and reserves					
Called up share capital	13		1		1
Revaluation reserve	14		68,653		44,049
Profit and loss account	14		(812)		(1,681)
Equity shareholders' funds			67,842		42,369

The notes on page 7 to 13 form part of these financial statements

These financial statements were approved by the board of directors on 19th September 2007 and were signed on its behalf by

Mark Steinberg
Director

Terence Cole
Director

Statement of total recognised gains and losses
for the year ended 31 March 2007

	2007 £000	2006 £000
Profit/(loss) for the financial year	**869**	(23)
Unrealised surplus on revaluation of properties	**24,604**	16,112
Total recognised losses and gains	**25,473**	16,089

Reconciliation of movements in equity shareholders' funds
for the year ended 31 March 2007

	2007 £000	2006 £000
Profit/(loss) for the financial year	**869**	(23)
Unrealised surplus on revaluation of properties	**24,604**	16,112
Net addition to shareholders' funds	**25,473**	16,089
Opening shareholders' funds	**42,369**	26,280
Closing shareholders' funds	**67,842**	42,369

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements

Investment properties

Investment properties are included in fixed assets at valuation Surpluses and deficits arising on valuation are taken directly to the revaluation reserve except for deficits which are expected to be permanent which are taken to the profit and loss account

Depreciation or amortisation is not provided in respect of freehold or long leasehold investment properties This treatment may be a departure from the Companies Act 1985 concerning the depreciation of fixed assets in respect of these properties However such properties are not held for consumption but for investment and the directors consider systematic annual depreciation would be inappropriate and that this policy is 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 valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

Depreciation of other tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Computer and IT equipment	-	33% per annum
Other fixtures and fittings	-	20% per annum
Marina assets	-	4% per annum
Motor vehicles	-	25% per annum

Fixed asset Investments

Investments are included at purchase cost less provisions where necessary for any permanent diminution in value

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Turnover

Turnover represents the rental and associated income, net of property related charges, excluding value added tax, derived from tenants and residents All turnover arises in the United Kingdom

Interest charges

Interest is charged to the profit and loss account as incurred

Related Party Transactions

Advantage has been taken of exemptions under FRS8 (3) not to disclose balances with or transactions between related parties eliminated on consolidation

Notes (continued)

2 Operating profit

	2007 £000	2006 £000
Operating profit is stated after charging		
Auditors' remuneration		
Audit	**25**	24
Other	**-**	-
Depreciation	**310**	59

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees 2007	2006
Employees contracted by company	**31**	31
Less paid for by service charge funds	**(28)**	(28)
Full time equivalent employees	**3**	3
Management and administration	**1**	1
Maintenance and support services	**2**	2
	3	3

The aggregate payroll costs were as follows

	2007 £000	2006 £000
Paid by company and agent		
Wages and salaries	**954**	858
Social security costs	**100**	89
Other pension costs	**16**	17
Less recovered from service charges		
Wages and salaries	**(838)**	(771)
Social security costs	**(87)**	(79)
Other pension costs	**(15)**	(16)
Wages and salaries	**116**	87
Social security costs	**13**	10
Other pension costs	**1**	1
	130	98

Notes (continued)

3 Staff numbers and costs (continued)

The company also received a management fee of £291,000 (2006 £264,000) as a contribution towards the operating costs of the investment properties

The directors received no emoluments or company pension contributions during either year

4 Interest receivable and similar income

	2007	2006
	£000	£000
Bank interest	**173**	156
Interest receivable from related parties	**57**	66
	230	222

5 Interest payable and similar charges

	2007	2006
	£000	£000
On loans from fellow subsidiary undertakings	**4,844**	5,102
Amortisation of deferred finance costs	**141**	145
Other interest and charges	**110**	39
	5,095	5,286

6 Tax on loss on ordinary activities

(i) Analysis of credit for the year

	2007	2006
	£000	£000
Current tax		
UK corporation tax credit on profit for the period at 30%	**1,223**	-
Group relief provided/(overprovided) in previous year	**-**	(462)
	1,223	(462)
Deferred tax		
Origination and reversal of timing differences		
- Accelerated capital allowances	**220**	(280)
- Tax losses	**(1,021)**	835
	(801)	555
Tax on profit/(loss) on ordinary activities	**422**	93

Notes (continued)

6 Tax on loss on ordinary activities (continued)

(ii) Factors affecting the tax credit for the year

	2007 £000	2006 £000
Profit/(loss) on ordinary activities before taxation	**447**	(116)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2006 30%)	**134**	(35)
Effects of:		
Expenses disallowed for tax	**1**	12
Capital allowances in excess of depreciation	**(372)**	(275)
Tax losses	**(986)**	331
Interest timing difference	**-**	(33)
Group relief provided/(overprovided) in previous year	**-**	462
Current year tax	**(1,223)**	462

(iii) Factors that may affect future tax charges.

No provision has been made for taxation which might become payable if the company's investment properties were sold at the net amount at which they are stated in the financial statements, the tax liability would amount to approximately £15,762,229 (2006 £9,748,710)

7 Tangible fixed assets

	Freehold Investment Properties £000	Fixtures, fitting and equipment £000	Marina assets £000	Total £000
Cost or valuation				
At beginning of year	115,640	507	156	116,303
Additions	6,221	936	-	7,157
Revaluation in year	24,604	-	-	24,604
At end of year	146,465	1,443	156	148,064
Depreciation				
At beginning of year	-	393	17	410
Charge for year	-	304	6	310
At end of year	-	697	23	720
Net book value				
At 31 March 2007	**146,465**	**746**	**133**	**147,344**
At 31 March 2006	115,640	114	139	115,893

Notes (continued)

7 Tangible fixed assets (continued)

A valuation of the freehold investment properties was performed by CB Richard Ellis Limited, Chartered Surveyors and International Real Estate Consultants, as at 30 January 2007 for loan security purposes The valuation of £146,000,000 was on the basis of 'market value' as defined by the Guidance Notes prepared by the Assets Valuations Standards Committee of the Royal Institution of Chartered Surveyors The Directors consider this valuation plus additions to the end of the year to be reflective of the value of the freehold investment properties at 31 March 2007 and have included it in the financial statements In the prior year the freehold investment properties were valued by Directors at £116,000,000

The net book value of investment properties totalling £146,465,000 (2006 £115,640,000) is stated after reclassifying £482,000 (2006 £360,000) of lease incentive costs under debtors in accordance with UITF 28 The historic cost of the revalued properties is £77,812,000 (2005 £71,591,000)

8 Investments

The company holds all of the Ordinary £1 share capital in Creative Hat Limited, a company incorporated in England and Wales, whose principal activity is the organisation of events

9 Debtors

	2007	2006
	£000	£000
Trade debtors	**1,205**	858
Loan to related parties	**840**	1,050
Loans to group undertakings	**3,854**	7,735
Amounts owed by group undertakings	**1,753**	533
Prepayments and accrued income	**645**	731
Other debtors	**227**	232
	8,524	11,139

The loans to group undertakings are interest free and repayable on demand

The loan to the related parties is repayable on demand and attracts interest at LIBOR plus 1 5%

10 Creditors: amounts falling due within one year

Trade creditors	**781**	1,177
Amounts due to ultimate parent undertaking	**165**	60
Tenant and other deposits	**3,182**	2,267
Other creditors	**-**	278
Other taxes and social security	**607**	26
Accruals and deferred income	**2,779**	2,078
	7,514	5,886

Notes (continued)

11 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Loan from parent undertaking	2,497	2,497
Loan from fellow subsidiary undertaking	84,432	79,589
Less unamortised issue costs	(387)	(280)
	86,542	81,806

In December 2005 the loan from Chelsea Harbour Finance Three limited was repaid and a new loan was issued for £78,181,907 The loan bears interest at 6 2% The loan is secured on the company's freehold investment properties and is repayable in full on 15th December 2010

The loan from the parent undertaking is interest free

12 Provisions for liabilities and charges

	2007	2006
Deferred tax		
At beginning of year	1,214	1,769
Accelerated capital allowances	(220)	280
Losses utilised in the year	1,021	(835)
At end of year	2,015	1,214
Representing		
Accelerated capital allowances	2,015	2,235
Tax losses	-	(1,021)
	2,015	1,214

13 Called up share capital

	£	£
Authorised		
Equity 20,000 ordinary shares of £1 each	20,000	20,000
Allotted, called up and fully paid		
Equity 200 ordinary shares of £1 each	200	200

Notes (continued)

14 Reserves

	Profit and loss Account £000	Revaluation reserve £000
At beginning of year	(1,681)	44,049
Profit/(loss) for the year	869	-
Revaluation in the year	-	24,604
At end of year	**(812)**	**68,653**

15 Commitments

The company has no annual commitments under non-cancellable operating leases
The company had contracted for capital works amounting to £280,000 at 31 March 2007

16 Pension scheme

The company operates a defined contribution pension scheme The pension cost for the year represents contributions payable by the company to the fund and amounted to £1,000 (2006 £1,000)

17 Ultimate controlling party

The largest and smallest group into which the company is consolidated is City & General Securities Limited which is registered in England and Wales Group financial statements for City & General Securities Limited are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Cardiff, CF14 3UZ The company is ultimately controlled by the directors of City and General Securities Limited