

Galaplace Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2004



Company Registration No. 02767201

Galaplace Limited

DIRECTORS AND OFFICERS

DIRECTORS

V A Tchenguiz
R Tchenguiz

SECRETARY

M H P Ingham

COMPANY NUMBER

02767201 (England and Wales)

REGISTERED OFFICE

18 Upper Grosvenor Street
London
W1K 7PW

AUDITORS

Baker Tilly
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

SOLICITORS

Julian Holy
Emperor's Gate
114A Cromwell Road
London
SW7 4ES

Galaplace Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Galaplace Limited for the year ended 31 May 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company, which has remained unchanged during the financial year, was property investment.

REVIEW OF THE BUSINESS

In the opinion of the directors the result for the year and the financial position of the company at the year end were satisfactory.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS

The following directors have held office since 1 June 2003:

V A Tchenguiz
R Tchenguiz

DIRECTORS' INTERESTS IN SHARES

The directors at 31 May 2004 had no beneficial interest in the share capital of the company at any time during the year.

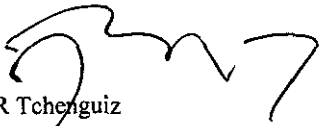
INVESTMENT PROPERTY

The investment property held at 31 May 2004 was valued as at that date at £22,100,000 by the directors. The increase in value during the year amounted to £1,940,000 as set out in note 7.

AUDITORS

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, Baker Tilly, will be deemed to be reappointed for each succeeding financial year.

On behalf of the board



R Tchenguiz
Director

1 June 2005

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 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 AUDITORS' REPORT TO THE MEMBERS OF GALAPLACE LIMITED

We have audited the financial statements on pages 5 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 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the other information in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

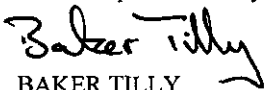
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs as at 31 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

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

1 June 2005

Galaplace Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2004

		2004	2003
	<i>Notes</i>	£	£
RENT RECEIVABLE		1,614,060	1,461,346
Ground rent payable		(171,030)	(14,000)
NET RENT RECEIVABLE		1,443,030	1,447,346
Other operating expenses	1	(96,745)	(45,378)
OPERATING PROFIT		1,346,285	1,401,968
Investment income	2	-	5,855
		1,346,285	1,407,823
Interest payable and similar charges	3	(1,109,049)	(1,129,376)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	237,236	278,447
Taxation	6	(87,407)	17,677
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	149,829	296,124

All amounts derive from continuing activities.

Galaplace Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 May 2004

	2004	2003
	£	£
Profit for the financial year	149,829	296,124
Unrealised surplus/(deficit) on revaluation of properties	1,940,000	(840,000)
Total recognised gains and losses relating to the year	<u>2,089,829</u>	<u>(543,876)</u>

Galaplace Limited

BALANCE SHEET

31 May 2004

		2004	2003
	Notes	£	£
FIXED ASSETS			
Tangible assets	7	22,100,000	20,160,000
		<u> </u>	<u> </u>
CURRENT ASSETS			
Debtors	8	6,856,481	7,007,251
Cash at bank and in hand		193,539	45
		<u> </u>	<u> </u>
		7,050,020	7,007,296
CREDITORS: Amounts falling due within one year	9	(691,514)	(547,570)
		<u> </u>	<u> </u>
NET CURRENT ASSETS		6,358,506	6,459,726
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		28,458,506	26,619,726
		<u> </u>	<u> </u>
CREDITORS: Amounts falling due after more than one year	10	(15,737,381)	(16,075,837)
		<u> </u>	<u> </u>
PROVISIONS FOR LIABILITIES AND CHARGES	11	(583,605)	(496,198)
		<u> </u>	<u> </u>
NET ASSETS		12,137,520	10,047,691
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Revaluation reserve	13	10,083,200	8,143,200
Profit and loss account	13	2,054,318	1,904,489
		<u> </u>	<u> </u>
EQUITY SHAREHOLDERS' FUNDS	14	12,137,520	10,047,691
		<u> </u>	<u> </u>

Approved by the board on 1 June 2005

R Tchenguiz

Director



Galaplace Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared 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.

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

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 may be 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.

DEFERRED TAXATION

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

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.

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

1. OTHER OPERATING EXPENSES	2004 £	2003 £
Administrative expenses	96,745	45,378
2. INVESTMENT INCOME	2004 £	2003 £
Other interest	-	5,855
3. INTEREST PAYABLE AND SIMILAR CHARGES	2004 £	2003 £
Bank loans	1,041,320	1,061,647
Finance charges	67,729	67,729
	1,109,049	1,129,376
4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004 £	2003 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	2,000	1,000

5. EMPLOYEES

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

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2004

6. TAXATION	2004 £	2003 £
Domestic current year tax		
Adjustment for prior years	-	(101,301)
Current tax charge/(credit)	-	(101,301)
Deferred tax		
Deferred tax charge current year	87,407	83,624
	87,407	(17,677)
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	237,236	278,447
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	71,171	83,534
Effects of:		
Non deductible expenses	16,236	90
Tax losses utilised	(87,407)	(83,624)
Adjustments to previous periods	-	(101,301)
	(71,171)	(184,835)
Current tax charge/(credit)	-	(101,301)

The company has estimated losses of £ 621,452 (2003: £ 912,808) available for carry forward against future trading profits.

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2004

7. TANGIBLE FIXED ASSETS

	<i>Investment property £</i>
Valuation	
1 June 2003	20,160,000
Revaluation surplus	1,940,000
31 May 2004	<u>22,100,000</u>

The property was valued as at 31 May 2004 at £22,100,000 (2003: £20,160,000) by the directors.

The original cost of the property was £12,222,800 (2003: £12,222,800).

Investment property at net book value comprises:	2004 £	2003 £
Long leasehold	22,100,000	20,160,000

8. DEBTORS

	2004 £	2003 £
Trade debtors	-	31,240
Amounts owed by group undertakings	6,365,442	6,401,580
Other debtors	-	15,663
Prepayments and accrued income	491,039	558,768
	<u>6,856,481</u>	<u>7,007,251</u>

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

	2004 £	2003 £
Prepayments	423,310	491,039

9. CREDITORS: Amounts falling due within one year

	2004 £	2003 £
Bank loan (note 10)	338,456	292,189
Trade creditors	13,684	-
Accruals and deferred income	339,374	255,381
	<u>691,514</u>	<u>547,570</u>

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2004

10. CREDITORS: Amounts falling due after more than one year	2004 £	2003 £
Bank loan	15,737,381	16,075,837
Loan maturity analysis:		
In more than one year but not more than two years	710,017	338,456
In more than two years but not more than five years	3,745,740	3,049,013
In more than five years	11,281,624	12,688,368
	15,737,381	16,075,837

The bank loan, which is repayable by installments by 2026, and bears interest at 0.9% above LIBOR, is secured by a fixed and floating charge over the company's investment property.

11. DEFERRED TAXATION

	<i>Deferred taxation £</i>
Balance at 1 June 2003	496,198
Transfer from profit and loss account	87,407
Balance at 31 May 2004	583,605

Deferred taxation provided in the financial statements is as follows:

	2004 £	2003 £
Excess of tax allowances over depreciation	770,041	770,041
Tax losses available	(186,436)	(273,843)
Provision for deferred taxation	583,605	496,198

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 £22,100,000 (2003: £20,160,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £1,720,101 (2003: £2,040,100).

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2004

12. SHARE CAPITAL	2004 £	2003 £
Authorised:		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

13. STATEMENT OF MOVEMENT ON RESERVES

	Revaluation reserve £	Profit and loss account £
1 June 2003	8,143,200	1,904,489
Retained profit for the year	-	149,829
Revaluation during the year	1,940,000	-
	<u> </u>	<u> </u>
31 May 2004	10,083,200	2,054,318
	<u> </u>	<u> </u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2004 £	2003 £
Profit for the financial year	149,829	296,124
Other recognised gains and losses	1,940,000	(840,000)
	<u> </u>	<u> </u>
Net addition to/(depletion in) shareholders' funds	2,089,829	(543,876)
Opening shareholders' funds	10,047,691	10,591,567
	<u> </u>	<u> </u>
Closing shareholders' funds	12,137,520	10,047,691
	<u> </u>	<u> </u>

15. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £	2003 £
Land and buildings expiring after five years	375,525	14,000
	<u> </u>	<u> </u>

16. CONTROL

There is no controlling party.

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2004

17. 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 holding company is Vin-Rotch Properties Limited Inc., and controlling party is the Tchenguiz Family Trust which were the company's former controlling parties. At the balance sheet date £6,365,440 (2003: £6,401,578) was owed by Rotch.

At the balance sheet date £2 (2003: £2) was due from the company's former holding company Highread Limited.

At 31 May 2003 £378,844 was owed by Peerfern Limited, a subsidiary company of Highread Limited. This amount had been fully provided for in previous years. Peerfern Limited was dissolved during the year.