

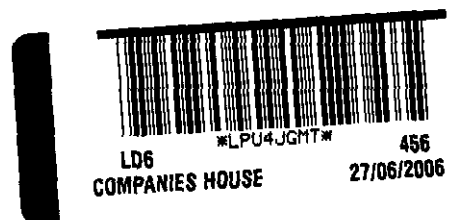
# Galaplace Limited

## FINANCIAL STATEMENTS

for the year ended

31 May 2005

Company Registration No. 02767201



# Galaplace Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

V A Tchenguiz  
R Tchenguiz  
M R Turner  
M D Gubbay

### SECRETARY

M H P Ingham

### COMPANY NUMBER

02767201 (England and Wales)

### REGISTERED OFFICE

Ground Floor  
Leconfield House  
Curzon Street  
London  
W1J 5JA

### AUDITORS

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

### SOLICITORS

Olswang  
90 High Holborn  
London  
WC1V 6XX

# Galaplace Limited

## DIRECTORS' REPORT

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The directors submit their report and financial statements of Galaplace Limited for the year ended 31 May 2005.

### 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 2004:

V A Tchenguiz

R Tchenguiz

M R Turner

M D Gubbay

(Appointed 7 April 2005)

(Appointed 7 April 2005)

### DIRECTORS' INTERESTS IN SHARES

The directors at 31 May 2005 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 2005 was valued as at that date at £27,770,000 by the directors. The increase in value during the year amounted to £5,670,000 as set out in note 6.

### 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

26 June 2006

# Galaplace Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires the directors to prepare financial statements for each financial year 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:

- 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 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

26 June 2006

# Galaplace Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2005

		2005	2004
	Notes	£	£
RENT RECEIVABLE		1,745,186	1,614,060
Ground rent payable		(376,229)	(171,030)
NET RENT RECEIVABLE		1,368,957	1,443,030
Other operating expenses	1	(85,924)	(96,745)
OPERATING PROFIT		1,283,033	1,346,285
Interest payable and similar charges	2	(1,476,800)	(1,109,049)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(193,767)	237,236
Taxation	5	(43,863)	(87,407)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	(237,630)	149,829

All amounts derive from continuing activities.

# Galaplace Limited

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 May 2005

	2005	2004
	£	£
(Loss)/profit for the financial year	(237,630)	149,829
Unrealised surplus on revaluation of properties	5,670,000	1,940,000
Total gains and losses recognised since last financial statements	<u>5,432,370</u>	<u>2,089,829</u>

# Galaplace Limited

## BALANCE SHEET

31 May 2005

		2005	2004
	Notes	£	£
FIXED ASSETS			
Tangible assets	6	27,770,000	22,100,000
CURRENT ASSETS			
Debtors	7	5,868,051	6,856,481
Cash at bank and in hand		494,149	193,539
		6,362,200	7,050,020
CREDITORS: Amounts falling due within one year	8	(725,898)	(691,514)
NET CURRENT ASSETS		5,636,302	6,358,506
TOTAL ASSETS LESS CURRENT LIABILITIES		33,406,302	28,458,506
CREDITORS: Amounts falling due after more than one year	9	(15,208,944)	(15,737,381)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(627,468)	(583,605)
NET ASSETS		17,569,890	12,137,520
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Revaluation reserve	12	15,547,200	10,083,200
Profit and loss account	12	2,022,688	2,054,318
EQUITY SHAREHOLDERS' FUNDS	13	17,569,890	12,137,520

Approved by the board on 26 June 2006

R Tchenguiz

Director





# Galaplace Limited

## ACCOUNTING POLICIES

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### 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 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 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

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.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

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.

### 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 2005

1. OTHER OPERATING EXPENSES	2005	2004
	£	£
Administrative expenses	85,924	96,745
	<u>85,924</u>	<u>96,745</u>
2. INTEREST PAYABLE AND SIMILAR CHARGES	2005	2004
	£	£
Bank interest payable	981,360	1,041,320
Amortisation of finance costs	60,842	67,729
Amortisation of finance charges on loan redemption	434,598	-
	<u>1,476,800</u>	<u>1,109,049</u>
3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2005	2004
	£	£
(Loss)/Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

## 4. 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 2005

5. TAXATION	2005	2004
	£	£
Current tax charge/(credit)	-	-
Deferred tax		
Deferred tax charge current year	11,775	87,407
Deferred tax adjust re previous year	32,088	-
	<u>43,863</u>	<u>87,407</u>
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	<u>(193,767)</u>	<u>237,236</u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>(58,130)</u>	<u>71,171</u>
Effects of:		
Non deductible expenses	300	16,236
Capital allowances in excess of depreciation	(24,066)	-
Tax losses utilised	(19,797)	(87,407)
UK transfer pricing	101,693	-
	<u>58,130</u>	<u>(71,171)</u>
Current tax charge/(credit)	<u>-</u>	<u>-</u>

The company has estimated losses of £ 662,421 (2004: £ 621,452) available for carry forward against future trading profits.

# Galaplace Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2005

### 6. TANGIBLE FIXED ASSETS

	<i>Investment property</i> £
Valuation	
1 June 2004	22,100,000
Revaluation surplus	5,670,000
31 May 2005	<u>27,770,000</u>

The property was valued as at 31 May 2005 at £27,770,000 (2004: £22,100,000) by the directors.

The original cost of the property was £12,222,800 (2004: £12,222,800).

Investment property at net book value comprises:	2005 £	2004 £
Long leasehold	<u>27,770,000</u>	<u>22,100,000</u>

7. DEBTORS	2005 £	2004 £
Other debtors	5,528,507	6,365,442
Prepayments and accrued income	339,544	491,039
	<u>5,868,051</u>	<u>6,856,481</u>

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

	2005 £	2004 £
Prepayments	<u>319,069</u>	<u>423,310</u>

8. CREDITORS: Amounts falling due within one year	2005 £	2004 £
Bank loan (note 9)	400,153	338,456
Trade creditors	435	13,684
Accruals and deferred income	325,310	339,374
	<u>725,898</u>	<u>691,514</u>

# Galaplace Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2005

9. CREDITORS: Amounts falling due after more than one year	2005 £	2004 £
Bank loan	<u>15,208,944</u>	<u>15,737,381</u>
Loan maturity analysis:		
In more than one year but not more than two years	756,764	710,017
In more than two years but not more than five years	2,824,719	3,745,740
In more than five years	<u>11,627,461</u>	<u>11,281,624</u>
	<u>15,208,944</u>	<u>15,737,381</u>

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

### 10. DEFERRED TAXATION

	<i>Deferred taxation</i> £
Balance at 1 June 2004	583,605
Transfer from profit and loss account	<u>43,863</u>
Balance at 31 May 2005	<u>627,468</u>

Deferred taxation provided in the financial statements is as follows:

	2005 £	2004 £
Excess of tax allowances over depreciation	826,194	770,041
Tax losses available	<u>(198,726)</u>	<u>(186,436)</u>
Provision for deferred taxation	<u>627,468</u>	<u>583,605</u>

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 £27,770,000 (2004: £22,100,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £3,278,094 (2004: £1,720,101).

# Galaplace Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

11. SHARE CAPITAL	2005 £	2004 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

## 12. STATEMENT OF MOVEMENT ON RESERVES

	Revaluation reserve £	Profit and loss account £
1 June 2004	10,083,200	2,054,318
Retained loss for the year	-	(237,630)
Transfer	(206,000)	206,000
Revaluation during the year	<u>5,670,000</u>	<u>-</u>
31 May 2005	<u>15,547,200</u>	<u>2,022,688</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2005 £	2004 £
(Loss)/Profit for the financial year	(237,630)	149,829
Other recognised gains and losses	<u>5,670,000</u>	<u>1,940,000</u>
Net addition to shareholders' funds	5,432,370	2,089,829
Opening shareholders' funds	<u>12,137,520</u>	<u>10,047,691</u>
Closing shareholders' funds	<u>17,569,890</u>	<u>12,137,520</u>

## 14. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
Land and buildings expiring after five years	<u>375,525</u>	<u>375,525</u>

## 15. CONTROL

There is no controlling party.

# Galaplace Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

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### 16. 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 ultimate controlling party is the Tchenguiz Family Trust, which were the company's former controlling parties.*

At the balance sheet date £5,528,505 (2004: £6,365,440) was owed by Rotch.

At the balance sheet date £2 (2004: £2) was due from the company's former holding company Highread Limited.