

Company Registration No. 3462654 (England and Wales)

552 KINGS ROAD LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004



552 KINGS ROAD LIMITED

COMPANY INFORMATION

Directors

B D G Jarvis
J R Jarvis
F Facchin
J A Kiernander

Secretary

S C Jarvis

Company number

3462654

Registered office

26 New Broadway
Ealing
London W5 2XA

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

552 KINGS ROAD LIMITED

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552 KINGS ROAD LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

The directors present their report and financial statements for the year ended 30 June 2004.

Principal activities and review of the business

The company is undertaking a £250m residential development at 552 Kings Road. By the end of the year over £231m of the development had been completed and occupied. All of the company's bank borrowings were repaid by November 2003.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 July 2003:

B D G Jarvis	
J R Jarvis	(Appointed 31 March 2004)
F Facchin	(Appointed 31 March 2004)
J A Kiermader	(Resigned 31 March 2004)
A Bunker	(Resigned 4 May 2004)

J A Kiermader was reappointed as a director on 23 June 2005.

Directors' interests

None of the directors in office at the year end had any interest in the share capital of the company at any point during the year. The directors' interests in the ordinary share capital of the ultimate holding company, Ravensale Limited, are disclosed in that company's accounts.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

552 KINGS ROAD LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

Directors' responsibilities

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

On behalf of the board

B D G Jarvis
Director

29 June 2005

552 KINGS ROAD LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 552 KINGS ROAD LIMITED

We have audited the financial statements of 552 Kings Road Limited for the year ended 30 June 2004 which comprise the profit and loss account, the balance sheet, and notes 1 to 18. These financial statements have been prepared under the accounting policies set out herein.

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 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and 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 other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

552 KINGS ROAD LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF 552 KINGS ROAD LIMITED

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the tax position of the Ravensale Limited group. The financial statements have been prepared on the basis that an agreement with the Inland Revenue regarding the use of brought forward trading losses against property development profits will apply and that as a result no tax liability will arise in the year on these profits. Details of the circumstances relating to this fundamental uncertainty are described in note 6. Due to the significance of this matter we draw it to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

Grant Thornton UK LLP

29 June 2005

Chartered Accountants
Registered Auditors

London

552 KINGS ROAD LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

		Year ended 30 June 2004 £	Six months ended 30 June 2003 £
	Notes		
Turnover	2	192,706,162	20,573,981
Cost of sales		(167,101,426)	(17,303,562)
Gross profit		25,604,736	3,270,419
Administrative expenses		(25,800,358)	(3,248,725)
Operating (loss)/profit	3	(195,622)	21,694
Interest receivable and similar income	4	195,622	2,836
Interest payable and similar charges	5	-	(24,530)
Loss on ordinary activities before taxation		-	-
Tax on loss on ordinary activities	6	(26,035)	(13,511)
Retained loss for the year	12	(26,035)	(13,511)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

552 KINGS ROAD LIMITED

BALANCE SHEET AS AT 30 JUNE 2004

	Notes	£	2004 £	£	2003 £
Current assets					
Development properties	7	12,311,880		166,311,847	
Debtors	8	4,209,166		8,323,533	
Cash at bank and in hand		9,237,003		4,455,109	
		25,758,049		179,090,489	
Creditors: amounts falling due within one year	9	(27,301,154)		(180,607,559)	
Net current liabilities			(1,543,105)		(1,517,070)
Total assets less current liabilities			(1,543,105)		(1,517,070)
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account	12		(1,543,205)		(1,517,170)
Shareholders' funds	13		(1,543,105)		(1,517,070)
Equity interests			(1,543,106)		(1,517,071)
Non-equity interests			1		1
			(1,543,105)		(1,517,070)

The financial statements were approved by the Board on 29 June 2005

B D G Jarvis
Director

552 KINGS ROAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The financial statements have been prepared on a going concern basis as the ultimate controlling party, Ravensale Limited, has confirmed its willingness to support the company for the foreseeable future.

The principal accounting policies of the company are set out below and have remained unchanged from the previous year.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Turnover

Turnover represents invoiced value of sales net of VAT and discounts.

Turnover and profit on sales of properties are brought into account when the sales have been legally completed.

1.3 Development properties

Properties under development are stated at the lower of cost and net realisable value. Additions to properties under development include all direct expenses of development, including finance costs.

1.4 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

1.5 Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments on account.

1.6 Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount, except in the case of development financings where interest and related financing costs are capitalised as part of the cost of development.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

3	Operating (loss)/profit	Year ended 30 June 2004 £	Six months ended 30 June 2003 £
	Operating (loss)/profit is stated after charging:		
	Auditors' remuneration	15,000	12,500
4	Interest receivable and similar income	2004 £	2003 £
	Bank interest	101,059	-
	Other interest	94,563	2,836
		195,622	2,836
5	Interest payable and similar charges	2004 £	2003 £
	Other interest	-	24,530

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

6	Taxation	Year ended 30 June 2004 £	Six months ended 30 June 2003 £
	Current tax charge		
	U.K. corporation tax	-	-
	Deferred tax		
	Deferred tax charge (note 10)	26,035	13,511
	Tax on loss on ordinary activities	<u>26,035</u>	<u>13,511</u>
	Factors affecting the current tax charge for the year		
	Loss on ordinary activities before taxation	-	-
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	-	-
	Effects of:		
	Non deductible expenses	84,900	16,359
	Tax losses utilised	(32,722)	(15,508)
	Group relief claimed	(52,178)	(851)
		-	-
	Current tax charge	<u>-</u>	<u>-</u>

The company has estimated losses of £ 221,048 (2003: £ 307,831) available for carry forward against future trading profits.

A group company has made a charge of £24,719,556 (2003: £2,054,514) to the company, which has been made as part of the implementation of an agreement with the Inland Revenue. If the charge had not been made the tax liability would be approximately £7,400,000 (2003: £600,000).

7	Development properties	2004 £	2003 £
	Cost of development of freehold properties	<u>12,311,880</u>	<u>166,311,847</u>

Net interest of £3,706,024 (2003: £7,708,534) was capitalised as part of the cost of development during the year ended 30 June 2004, of which £2,480,086 (2003: £4,092,011) related to interest payable to the parent company European Land (Four Surplus Sites) Limited under inter-company financing arrangements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

8 Debtors	2004 £	2003 £
Trade debtors	88,206	8,006,012
Amounts owed by parent and fellow subsidiary undertakings	4,010,281	-
Other debtors	44,365	225,172
Deferred tax asset (see note 10)	66,314	92,349
	<u>4,209,166</u>	<u>8,323,533</u>

9 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	-	78,660,058
Trade creditors	387,301	5,568,074
Sales deposits	3,388	34,253,237
Amounts owed to parent and fellow subsidiary undertakings	26,774,070	60,962,156
Taxes and social security costs	689	-
Accruals and deferred income	135,706	1,164,034
	<u>27,301,154</u>	<u>180,607,559</u>

Debt due in one year or less	<u>-</u>	<u>78,660,058</u>
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The bank loan was secured by a fixed and floating charge over all current and future assets (including rents) of the company.

10 Deferred tax asset

	£
Asset at 1 January 2003	92,349
Deferred tax charge in profit and loss account (note 6)	(26,035)
	<u>66,314</u>
Asset at 30 June 2004	<u>66,314</u>

The deferred tax asset (included in the debtors, note 8) is made up as follows:

	2004 £	2003 £
Tax losses available	<u>66,314</u>	<u>92,349</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

11 Share capital	2004 £	2003 £
Authorised		
99 ordinary shares of £1 each	99	99
1 KCL share of £1 each	1	1
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
99 ordinary shares of £1 each	99	99
1 KCL share of £1 each	1	1
	<u>100</u>	<u>100</u>

The KCL share has no rights to participate in any dividend or other distribution of the profits or assets of the company. The KCL share carries no voting rights except in certain circumstances as specified in the Articles of Association.

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 2003	(1,517,170)
Retained loss for the period	(26,035)
Balance at 30 June 2004	<u>(1,543,205)</u>

13 Reconciliation of movements in shareholders' funds

	Year ended 30 June 2004 £	Six months ended 30 June 2003 £
Loss for the financial year	(26,035)	(13,511)
Opening shareholders' funds	<u>(1,517,070)</u>	<u>(1,503,559)</u>
Closing shareholders' funds	<u>(1,543,105)</u>	<u>(1,517,070)</u>

14 Contingent liabilities

There were no contingent liabilities as at 30 June 2004 (2003: £nil).

552 KINGS ROAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

15 Capital commitments

There were no capital commitments as at 30 June 2004 (2003: £nil).

16 Directors and employees

The average monthly number of employees (excluding directors) during the year was:

	2004 Number	2003 Number
	1	-
	<hr/>	<hr/>
Employment costs		
	£	£
Wages and salaries	6,194	-
	<hr/>	<hr/>

17 Control

The company is a subsidiary undertaking of European Land (Four Surplus Sites) Limited, a company registered in England and Wales. The ultimate parent company is Ravensale Limited, a company registered in England and Wales. The ultimate parent company prepares group financial statements and copies can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

18 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

During the year professional fees of £59,641 (2003: £16,080) were payable to Neill & Co., a firm controlled by a director. The balance due to Neill & Co. at the year end was £13,837 (2003: £6,493).

During the year J R Jarvis, a director, purchased a property from the company for £750,000. The purchase was made on an arm's length basis.