

H.A. Leasing Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2005



Company Registration No. 03462658

H.A. Leasing Limited

DIRECTORS AND OFFICERS

DIRECTORS

R Tchenguiz
V A Tchenguiz

SECRETARY

M H P Ingham

COMPANY NUMBER

03462658 (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

H.A. Leasing Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of H.A. Leasing 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 that of property investment and holding lease interests in land and buildings.

REVIEW OF THE BUSINESS

In the opinion of the directors the result for the year and the financial position of the company at 31 May 2005 were satisfactory given the support of Rotch Property Group Limited, a related company.

On 31 January 2005 the company's authorised share capital was increased by £199,900 to £200,000 and 199,900 £1 ordinary shares were issued to the company's immediate holding company at par.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS

The following directors have held office since 1 June 2004:

R Tchenguiz
V A Tchenguiz

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.

CHANGES IN PRESENTATION OF THE FINANCIAL STATEMENTS

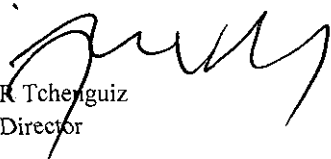
The Company had previously accounted for its property as an investment property. Following a review of the lease documentation the property was reclassified as a finance lease.

Accordingly, the comparative figures have been restated to account for the property as a finance lease.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants will be put to the members at the annual general meeting.

On behalf of the board



R Tchenguiz
Director

14 November 2006

H.A. Leasing 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 H.A. LEASING LIMITED

We have audited the financial statements on pages 5 to 16.

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.

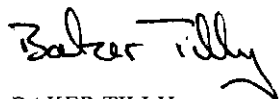
Basis of opinion

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.



BAKER TILLY

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

14 November 2006

H.A. Leasing Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2005

		2005	2004
	<i>Notes</i>	£	Restated £
TURNOVER		281,659	275,482
Other operating expenses	1	(3,865)	(4,070)
OPERATING PROFIT		277,794	271,412
Interest payable and similar charges	2	(881,594)	(252,856)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(603,800)	18,556
Taxation	5	(46,790)	(47,755)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	12	(650,590)	(29,199)

All amounts derive from continuing activities.

H.A. Leasing Limited

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

	2005	2004
	£	Restated £
<i>Notes</i>		
Loss for the financial year	(650,590)	(29,199)
Total recognised gains and losses relating to the year	(650,590)	(29,199)
Prior year adjustment (note 13)	175,258	
Total gains and losses recognised since last financial statements	(475,332)	

H.A. Leasing Limited

BALANCE SHEET

31 May 2005

	Notes	2005 £	2004 Restated £
FIXED ASSETS			
Investments	6	236,836	236,836
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	978,095	1,851
Debtors: amounts falling due after more than one year	7	4,040,070	3,856,515
Cash at bank and in hand		133	65
		5,018,298	3,858,431
CREDITORS: Amounts falling due within one year	8	(98,623)	(445,568)
NET CURRENT ASSETS		4,919,675	3,412,863
TOTAL ASSETS LESS CURRENT LIABILITIES		5,156,511	3,649,699
CREDITORS: Amounts falling due after more than one year	9	(5,488,688)	(3,577,976)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(128,376)	(81,586)
NET LIABILITIES		(460,553)	(9,863)
CAPITAL AND RESERVES			
Called up share capital	11	200,000	100
Profit and loss account	12	(660,553)	(9,963)
EQUITY SHAREHOLDERS' FUNDS	13	(460,553)	(9,863)

Approved by the board on 14 November 2006

R Tchenguiz

Director



H.A. Leasing 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.

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

GOING CONCERN

The company continues to be supported by Rotch Property Group Limited, a related company (see note 17), which has agreed to provide financial support as and when required to enable the company to meet its external obligations. On this basis, the directors consider it appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of this financial support.

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

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

GROUP ACCOUNTS

The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

TURNOVER

Turnover represents finance charges allocated to the period so as to give a constant periodic rate of return in the company's net cash investment in the lease.

CASH FLOW STATEMENT

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

FINANCE LEASES

Finance leases are initially stated at cost including acquisition costs. The carrying amount is increased by finance charges in the accounting period and reduced by payments received in the period. Finance charges are recognised in the profit and loss account so as to produce a constant return on the carrying amount.

H.A. Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2005

1. OTHER OPERATING EXPENSES	2005	2004
	£	£
Administrative expenses	3,865	4,070
	<u> </u>	<u> </u>
2. INTEREST PAYABLE AND SIMILAR CHARGES	2005	2004
	£	£
Loan interest payable to group undertakings	94,073	-
On bank loans and overdrafts	236,151	251,004
Loan break costs	508,146	-
Finance charges	43,224	1,852
	<u> </u>	<u> </u>
	881,594	252,856
	<u> </u>	<u> </u>
3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2005	2004
	£	£
(Loss)/Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration	1,500	1,000
	<u> </u>	<u> </u>

4. EMPLOYEES

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

H.A. Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

5. TAXATION	2005	2004
	£	Restated £
U.K. corporation tax:		
Current tax charge	-	-
Deferred tax:		
Deferred tax charge current year	46,790	47,755
Total tax charge	<u>46,790</u>	<u>47,755</u>
Factors affecting the tax charge for the year:		
(Loss)/profit on ordinary activities before taxation	<u>(603,800)</u>	<u>18,556</u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>(181,140)</u>	<u>5,567</u>
Effects of:		
Non deductible expenses	25,487	26,229
Group loss relief	197,393	15,959
UK transfer pricing	5,050	-
Adjustment in respect of finance leases	<u>(46,790)</u>	<u>(47,755)</u>
	<u>181,140</u>	<u>(5,567)</u>
Current tax charge	<u>-</u>	<u>-</u>

H.A. Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

6. FIXED ASSET INVESTMENTS

	<i>Shares in group undertakings</i>
	£
Cost	
1 June 2004 and 31 May 2005	236,836

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Shares held</i>	
		<i>Class</i>	<i>%</i>
Subsidiary undertakings			
Restgrove	England	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	<i>Capital and reserves</i>	<i>Profit for the year</i>
	£	£
Restgrove	189,099	14,907

H.A. Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

7. DEBTORS	2005	2004
	£	Restated £
Amounts owed by group undertakings	970,036	-
Finance leases	3,858,581	3,817,317
Prepayments and accrued income	189,548	41,049
	<u>5,018,165</u>	<u>3,858,366</u>

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

	2005	2004
	£	Restated £
Finance leases	3,858,581	3,817,317
Prepayments	181,489	39,198
	<u>4,040,070</u>	<u>3,856,515</u>

8. CREDITORS: Amounts falling due within one year	2005	2004
	£	£
Bank loan (note 9)	-	1,130
Amounts owed to group undertakings	-	379,379
Accruals and deferred income	98,623	65,059
	<u>98,623</u>	<u>445,568</u>

H.A. Leasing 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	-	3,577,976
Amounts due to group undertakings	5,488,688	-
	<u>5,488,688</u>	<u>3,577,976</u>

Loan maturity analysis:

In more than one year but not more than two years	-	8,631
In more than two years but not more than five years	-	78,030
In more than five years	5,488,688	3,491,315
	<u>5,488,688</u>	<u>3,577,976</u>

During the year the bank loan was repaid. The group loan, due to Dalefox Limited is repayable by instalments by 2025, and bears interest at LIBOR plus 1% per annum.

The loan is secured by a fixed and floating charge over the company's properties 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 cross-collateralisation at 31 May 2005, including the company's loan is £29,570,757 (2004: £nil).

10. DEFERRED TAXATION

	<i>Deferred taxation £</i>
Balance at 1 June 2004	81,586
Transfer from profit and loss account	46,790
Balance at 31 May 2005	<u>128,376</u>

Deferred taxation provided in the financial statements is as follows:

	2005 £	2004 Restated £
Other timing differences	311,613	264,823
Tax losses available	(183,237)	(183,237)
	<u>128,376</u>	<u>81,586</u>

Other timing differences arise on the difference in recognition of net income from the finance lease over the lease term at a constant rate of return and that recognised for tax purposes. These timing differences are not expected to reverse until 2032.

H.A. Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

11. SHARE CAPITAL	2005 £	2004 £
Authorised:		
200,000 ordinary shares of £1 each	200,000	100
	<u> </u>	<u> </u>
Allotted, issued and fully paid:		
200,000 ordinary shares of £1 each	200,000	100
	<u> </u>	<u> </u>

On 31 January 2005 the company's authorised share capital was increased by £199,900 to £200,000 and 199,900 £1 ordinary shares were issued to the company's immediate holding company at par.

12. STATEMENT OF MOVEMENT ON RESERVES

	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £
1 June 2004	132,798	(318,019)
Prior year adjustment (note 13)	(132,798)	308,056
	<u> </u>	<u> </u>
1 June 2004 as restated	-	(9,963)
Retained loss for the year	-	(650,590)
	<u> </u>	<u> </u>
31 May 2005	-	(660,553)
	<u> </u>	<u> </u>

H.A. Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	2005	2004
	£	Restated £
Loss for the financial year	(650,590)	(29,199)
Proceeds from issue of shares	199,900	-
Net depletion in shareholders' funds	(450,690)	(29,199)
Opening shareholders' funds	(9,863)	19,336
Closing shareholders' funds	(460,553)	(9,863)

Opening shareholders' funds were originally (£185,121) before providing for prior year adjustments of £175,258.

The Company had previously accounted for its leasehold property as an investment property. Following a review of the lease documentation the property was reclassified as a finance lease. The correction of this error has been made way by way of a prior year adjustment in view of the significance of the amounts involved.

This adjustment has had the following effect on 2004 figures:

	£
Reduction in investment property fixed assets	(617,600)
Increase in finance lease debtor	874,444
Increase in deferred tax liability	(81,586)
Total prior year adjustment	175,258

Attributable to:

	Revaluation reserve £	Profit and loss account £	Total £
Attributable to year ended 31 May 2004	(8,600)	(39,276)	(47,876)
Attributable to earlier years	(124,198)	347,332	223,134
	(132,798)	308,056	175,258

14. CONTROL

The company's immediate holding company is Waxford Limited, which is registered in England.

The directors regard the ultimate holding company to be Vin-Rotch Properties Limited Inc., a company incorporated in the Republic of Panama.

The ultimate controlling party, which remained unchanged throughout the year, is the Tchenguiz Family Trust.

H.A. Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2005

15. 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.

During the year Rotch charged the company management fees of £2,350 (2004: £2,350). At the balance sheet date the amount owed by Rotch was £970,036 (2004: £379,378 owed to Rotch). No interest accrues on this related party balance.

In view of the company's net liabilities, Rotch has agreed to provide financial support as and when required to enable the company to meet its external obligations.

The immediate holding company, Dalefox Limited, provides the company with loan finance. At the balance sheet date £5,488,688 (2004: £nil) was due to Dalefox Limited. During the year interest of £94,074 (2004: £nil) was payable to Dalefox Limited.

The company leases three properties from Restgrove Limited, a subsidiary undertaking.

During the year the company paid rent of £10,612 (2004: £10,068) to Restgrove Limited. These amounts have been taken into account when calculating the net finance lease position at the year end.