

3854710

Kropifko Properties Limited

Report and Financial Statements

Year Ended

31 December 2005



BDO Stoy Hayward
Chartered Accountants

Kropifko Properties Limited

Annual report and financial statements for the year ended 31 December 2005

Contents

Directors

Page:

1	Report of the directors
2	Report of the independent auditors
4	Profit and loss account
5	Statement of total recognised gains and losses
6	Balance sheet
7	Notes forming part of the financial statements

Directors

A Kaye

S Kaye

Secretary and registered office

A Kaye, 1a Downshire Hill, London, NW3 1NR.

Company number

3854710

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

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Kropifko Properties Limited

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

Principal activities, trading review and future developments

The company's principal activity is that of property investment. The directors are satisfied with the results for the year, and anticipate similar results in the future.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	2005	2004
A Kaye	1	1
S Kaye	1	1

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

A Kaye

Secretary

Date 27 October 2006

Kropifko Properties Limited

Report of the independent auditors

To the shareholders of Kropifko Properties Limited

We have audited the financial statements of Kropifko Properties Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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. 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 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgments 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.

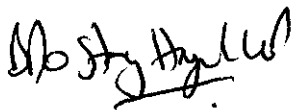
Kropifko Properties Limited

Report of the independent auditors (*Continued*)

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



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date 31/12/06

Kropifko Properties Limited**Profit and loss account for the year ended 31 December 2005**

	Note	2005 £	2004 £
Turnover	2	1,835,346	1,615,659
Cost of sales		15,594	24,126
Gross profit		1,819,752	1,591,533
Administrative expenses		92,294	88,135
Operating profit	4	1,727,458	1,503,398
Profit on sale of fixed assets		455,237	-
Profit on ordinary activities before interest		2,182,695	1,503,398
Other interest receivable and similar income		156	3,282
Interest payable and similar charges	5	(742,692)	(551,124)
Profit on ordinary activities before taxation		1,440,159	955,556
Taxation on profit from ordinary activities	6	413,062	288,318
Profit on ordinary activities after taxation		1,027,097	667,238

All amounts relate to continuing activities.

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

Kropifko Properties Limited**Statement of total recognised gains and losses for the year ended 31 December 2005**

	Note	2005 £	2004 As restated £
Profit for the year	13	1,027,097	667,238
Unrealised surplus on revaluation of properties		-	4,237,756
Total recognised gains and losses for the year		1,027,097	4,904,994
Prior year adjustment (as explained in note 16)		(3,437,000)	
Total gains and losses recognised since last annual report		(2,409,903)	

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

Kropifko Properties Limited

Balance sheet at 31 December 2005

	Note	2005	2005	2004	2004
		£	£	£	As restated £
Fixed assets					
Tangible assets	7		36,627,199		32,556,071
Current assets					
Debtors	8	218,518		414,181	
Cash at bank and in hand		101,600		162,957	
		320,118		577,138	
Creditors: amounts falling due within one year	9	4,822,577		848,098	
Net current liabilities			(4,502,459)		(270,960)
Total assets less current liabilities			32,124,740		32,285,111
Creditors: amounts falling due after more than one year	10		23,444,024		24,610,438
Provisions for liabilities and charges	11		19,508		40,562
			8,661,208		7,634,111
Capital and reserves					
Called up share capital	12		2		2
Revaluation reserve	13		4,237,756		4,237,756
Profit and loss account	13		4,423,450		3,396,353
Shareholders' funds			8,661,208		7,634,111

The financial statements were approved by the Board of Directors and authorised for issue on

27/10/06

A Kaye

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Director

S Kaye

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

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards.

In preparing these financial statements the company has adopted for the first time FRS 21 "Events after the Balance Sheet date", the presentation requirements of FRS 25 "Financial Instruments: Disclosures and Presentation" and FRS 28 "Corresponding amounts". There has been no effect on the current or prior year figures arising from these adoptions.

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that it is a 'small' company under the Companies Act 1985.

Investment properties

The investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Assets in the course of development are stated at cost, plus subsequent development costs, less any permanent diminution in value.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax, adjusted in accordance with UITF 28 for the effect of any incentive given which are spread on a straight line basis up to the time when the prevailing market rent will be payable.

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2005

1 Accounting policies *(continued)*

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

The average number of employees, including directors, during the year was 2 (2004 - 2).

The directors received no remuneration in the year (2004 - £Nil).

4 Operating profit

	2005 £	2004 £
This has been arrived at after charging:		
Auditors' remuneration – audit services	9,750	7,200

5 Interest payable and similar charges

	2005 £	2004 £
Bank loans and overdrafts	705,825	506,695
Other interest	36,867	44,429
	<u>742,692</u>	<u>551,124</u>

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2005

6 Taxation on profit from ordinary activities

	2005 £	2005 £	2004 £	2004 £
<i>Current tax</i>				
UK corporation tax on profits of the year	434,044		280,090	
Adjustment in respect of previous years	72		-	
Total current tax		434,116		280,090
<i>Deferred tax</i>				
Origination and reversal of timing differences		(21,054)		8,228
Taxation on profit on ordinary activities		413,062		288,318

The tax assessed for the year is different to than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	1,440,159	955,556
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%)	432,048	286,667
Effects of:		
Expenses not deductible for tax purposes	252	1,651
Capital allowances for year in deficit/(excess) of depreciation	20,306	(8,228)
Chargeable gains on disposal of investment properties	(18,562)	-
Adjustment in respect of prior years	72	-
Current tax charge for year	434,116	280,090

Kropifko Properties Limited**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)****7 Tangible assets**

	Freehold land and buildings £
<i>Cost</i>	
At 1 January 2005 – as restated	32,556,071
Additions	5,119,830
Disposals	(1,048,702)
Revaluation	-
	<hr/>
At 31 December 2005	36,627,199
	<hr/>
<i>Depreciation</i>	
At 1 January 2005 and at 31 December 2005	-
	<hr/>
<i>Net book value</i>	
At 31 December 2005	36,627,199
	<hr/>
At 31 December 2004 – as restated	32,556,071
	<hr/>

Certain freehold properties were revalued by the directors on the basis of their existing use value as at 31 December 2005.

The historical cost and net book value of the investment properties in £32,389,443 (2004 - £28,318,315).

8 Debtors

	2005 £	2004 £
Trade debtors	163,489	266,419
Other debtors	55,029	147,762
	<hr/>	<hr/>
	218,518	414,181
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

Kropifko Properties LimitedNotes forming part of the financial statements for the year ended 31 December 2005 *(Continued)***9 Creditors: amounts falling due within one year**

	2005 £	2004 £
Bank loans (secured)	343,500	-
Corporation tax	435,663	234,948
Amounts owed to related parties (note 15)	3,271,732	-
Taxation and social security	6,213	35,517
Other creditors	172,009	94,914
Accruals and deferred income	593,460	482,719
	<u>4,822,577</u>	<u>848,098</u>

10 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Bank loans (secured)	14,321,460	11,370,000
Directors' loans (note 15)	9,122,564	13,240,438
	<u>23,444,024</u>	<u>24,610,438</u>

The bank loans are repayable as follows:

In more than one year but not more than two years	458,000	574,327
In more than two years but not more than five years	1,374,000	1,148,653
In more than five years	12,489,460	9,647,020
	<u>14,321,460</u>	<u>11,370,000</u>

Interest on these loans is charged at 1% above base rates. The bank loans are secured by a legal charge over properties owned by the company.

11 Provisions for liabilities and charges

	2005 £
<i>Deferred taxation</i>	
Balance brought forward	40,562
Credit to the profit and loss (note 6)	(21,054)
	<u>19,508</u>

The balance is represented by accelerated capital allowances.

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

12 Share capital

	Authorised, allotted, called up and fully paid			
	2005 Number	2004 Number	2005 £	2004 £
Ordinary shares of £1 each	2	2	2	2

13 Reserves

	Revaluation reserve £	Profit and loss account £
Balance as previously stated	7,674,756	3,396,353
Prior year adjustment (note 16)	(3,437,000)	-
Balance brought forward – as restated	4,237,756	3,396,353
Profit for the year	-	1,027,097
Revaluation surplus	-	-
Balance carried forward	4,237,756	4,423,450

14 Reconciliation of movement in shareholders funds

	2005 £	2004 As restated £
Profit for the year	1,027,097	667,238
Other net recognised gains and losses relating to the year	-	4,237,756
Net additions	1,027,097	4,904,994
Opening shareholders' funds (originally £11,071,111 before deducting prior year adjustment of £3,437,000)	7,634,111	2,729,117
Closing shareholders' funds	8,661,208	7,634,111

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

15 Related party transactions

During the year, the company entered into the following contracts with related parties:

The company received rents and insurance from ASK Restaurants Limited, a company in which both A Kaye and S Kaye are directors and have interests. Total amounts received during the year and amounts outstanding at the year end are as follows:

	2005	2005	2004	2004
	Sales	Year end	Sales	Year end
	£	balance	£	balance
		£		£
ASK Restaurants Limited	518,000	104,027	579,000	84,924

Balances owing to directors at the end of the year and which are included in creditors are as follows:

	2005	2004
	£	£
A Kaye	3,293,849	5,852,786
S Kaye	5,828,715	7,387,652
	9,122,564	13,240,438

The loans are unsecured and interest free.

During the year an amount totalling £3,271,732 was advanced by KLP, a partnership in which both A Kaye and S Kaye are partners. The amount outstanding at the year end and included in creditors is £3,271,732.

16 Prior year adjustment

A prior year adjustment totalling £3,437,000 has been posted due to an error in the valuation used for a property at 31 December 2004. The effect of this is to reduce net assets by £3,437,000. This has had no effect on the profit and loss for the current or prior year.