

**REGISTRAR OF
COMPANIES**

Kropifko Properties Limited

Report and Financial Statements

Year Ended

31 December 2003



BDO Stoy Hayward
Chartered Accountants

Kropifko Properties Limited

Annual report and financial statements for the year ended 31 December 2003

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, 5 Belize Mews, London, NW3 5AT.

Company number

3854710

Auditors

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

Kropifko Properties Limited

Report of the directors for the year ended 31 December 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

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:

	2003	2002
A Kaye	1	1
S Kaye	1	1

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.

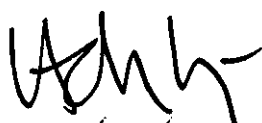
Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

A Kaye

Secretary
Date


2/2/05

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 2003 on pages 4 to 13 which have been prepared under the accounting policies set out on page 7.

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 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 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.

Kropifko Properties Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 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

2 February 2005

Kropifko Properties Limited**Profit and loss account for the year ended 31 December 2003**

	Note	2003 £	2002 £
Turnover	2	1,531,866	942,139
Cost of sales		27,998	66,146
Gross profit		1,503,868	875,993
Administrative expenses		107,223	84,057
Operating profit	4	1,396,645	791,936
Profit on sale of fixed assets		1,380,632	247,221
Profit on ordinary activities before interest		2,777,277	1,039,157
Other interest receivable and similar income		2,697	3,994
Interest payable and similar charges	5	(504,606)	(258,889)
Profit on ordinary activities before taxation		2,275,368	784,262
Taxation on profit from ordinary activities	6	608,184	205,030
Profit on ordinary activities after taxation		1,667,184	579,232

All amounts relate to continuing activities.

There are no movements on shareholders' funds apart from the profit for the year.

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 2003

	Note	2003 £	2002 £
Profit for the year	12	1,667,184	579,232
Prior year adjustment		-	-
Total recognised gains and losses for the year		1,667,184	579,232

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

Kropifko Properties Limited

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	7		22,966,527		15,955,079
Investments	8		25,680		25,680
			<u>22,992,207</u>		<u>15,980,759</u>
Current assets					
Debtors	9	454,714		343,923	
Cash at bank and in hand		376,850		2,591,599	
		<u>831,564</u>		<u>2,935,522</u>	
Creditors: amounts falling due within one year	10	1,332,210		676,933	
Net current assets/(liabilities)			<u>(500,646)</u>		<u>2,258,589</u>
Total assets less current liabilities			<u>22,491,561</u>		<u>18,239,348</u>
Creditors: amounts falling due after more than one year	11		19,730,110		17,118,084
Provisions for liabilities and charges	12		32,334		59,331
			<u>2,729,117</u>		<u>1,061,933</u>
Capital and reserves					
Called up share capital	13		2		2
Profit and loss account	14		2,729,115		1,061,931
Shareholders' funds - equity			<u>2,729,117</u>		<u>1,061,933</u>

The financial statements were approved by the Board on

2/2/05

A Kaye)
S Kaye) Director

Adh 14
Sammer 14

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

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2003

1 Accounting policies

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

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 arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

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 (2002 - 2).

The directors received no remuneration in the year (2002 - £Nil).

4 Operating profit

	2003	2002
	£	£
This has been arrived at after charging:		
Auditors' remuneration	6,500	5,000
	<hr/>	<hr/>

5 Interest payable and similar charges

	2003	2002
	£	£
Bank loans and overdrafts	421,131	258,889
Other interest	83,475	-
	<hr/>	<hr/>
	504,606	258,889
	<hr/>	<hr/>

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

6 Taxation on profit from ordinary activities

	2003 £	2003 £	2002 £	2002 £
<i>Current tax</i>				
UK corporation tax on profits of the year	634,845		210,000	
Adjustment in respect of previous years	336		-	
Total current tax		635,181		210,000
<i>Deferred tax</i>				
Origination and reversal of timing differences		(26,997)		(4,970)
Taxation on profit on ordinary activities		608,184		205,030

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

	2003 £	2002 £
Profit/loss on ordinary activities before tax	2,275,368	784,262
Profit/loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	682,610	235,279
Effects of:		
Expenses not deductible for tax purposes	7,467	1,272
Capital allowances for year in excess of depreciation	26,997	4,970
Chargeable gains on disposal of investment properties	(82,229)	(11,783)
Marginal relief	-	(19,738)
Adjustment in respect of prior years	336	-
Current tax charge for year	635,181	210,000

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

7 Tangible assets

	Freehold land and buildings £	Assets in the course of construction £	Total £
<i>Cost</i>			
At 1 January 2003	15,955,079	-	15,955,079
Additions	10,148,097	406,841	10,554,938
Disposals	(3,543,490)	-	(3,543,490)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	22,559,686	406,841	22,966,527
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2003 and at 31 December 2003	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2003	22,559,686	406,841	22,966,527
	<hr/>	<hr/>	<hr/>
At 31 December 2002	15,955,079	-	15,955,079
	<hr/>	<hr/>	<hr/>

In the opinion of the directors' the open market value of the freehold land and buildings approximates to cost.

8 Investments

	Other Investments £
<i>Cost</i>	
At 1 January 2003 and at 31 December 2003	25,680
	<hr/>

The investment relates to an acquisition of a private number plate. The directors believe that the market value is not materially different from the carrying value.

Kropifko Properties Limited**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****9 Debtors**

	2003	2002
	£	£
Trade debtors	223,578	93,918
Other debtors	231,136	250,005
	454,714	343,923

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

10 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank loans	-	63,095
Corporation tax	635,181	210,000
Taxation and social security	248,900	7,091
Other creditors	68,904	11,867
Accruals and deferred income	379,225	384,880
	1,332,210	676,933

11 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Bank loan (secured)	8,820,000	5,136,905
Directors' loans	10,910,110	11,981,179
	19,730,110	17,118,084

The bank loans are repayable as follows:

In more than one year but not more than two years	-	194,940
In more than two years but not more than five years	2,972,980	1,115,238
In more than five years	5,847,020	3,826,726
	8,820,000	5,136,905

Kropifko Properties Limited**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****12 Provisions for liabilities and charges**

	2003
<i>Deferred taxation</i>	£
Balance brought forward	59,331
Charge for the year	(26,997)
	<hr/>
Balance carried forward	32,334
	<hr/>

The balance is represented by accelerated capital allowances.

13 Share capital

	Authorised, allotted, called up and fully paid			
	2003	2002	2003	2002
	Number	Number	£	£
Ordinary shares of £1 each	2	2	2	2
	<hr/>	<hr/>	<hr/>	<hr/>

14 Profit and loss account

	£
Balance brought forward	1,061,931
Profit for the year	1,667,184
	<hr/>
Balance carried forward	2,729,115
	<hr/>

Kropifko Properties Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

15 Related party transactions

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

During the year, 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:

	2003 Sales £	2003 Year end balance £	2002 Sales £	2002 Year end balance £
ASK Restaurants Limited	447,125	65,797	418,620	-

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

	2003 £	2002 £
A Kaye	3,481,183	5,991,593
S Kaye	7,428,927	5,989,586

The loans are unsecured and interest free.

Included in other debtors (note 9) are balances owed to the company by Kaye Properties Limited a company in which both A Kaye and S Kaye are directors and have interests, as follows:

	2003 £	2002 £
Kaye Properties Limited	227,711	227,711
ASK Restaurants Limited	65,797	-