

**KEMPTON HOMES LIMITED (formerly
Orient House Properties Limited)**

Report and Financial Statements

28 February 2003



KEMPTON HOMES LIMITED (formerly Orient House Properties Limited)

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KEMPTON HOMES LIMITED (formerly Orient House Properties Limited)

REPORTS AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H.M. Ghasri
F. Fazelynia

SECRETARY

F. Fazelynia

REGISTERED OFFICE

71 Madison Apartments
Seymour Grove
Old Trafford
Manchester
M16 ONB

BANKERS

H.B.O.S.
19/21 Spring Gardens
Manchester
M2 1FB

SOLICITORS

Pannone & Partners

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

KEMPTON HOMES LIMITED (formerly Orient House Properties Limited)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 28 February 2003.

PRINCIPAL ACTIVITIES

The company is engaged in the development of properties.

REVIEW OF DEVELOPMENTS

The directors consider the level of business to be in line with expectations given the current stage of completion of the developments within the company's portfolio.

DIVIDENDS AND TRANSFERS TO RESERVES

The result for the year is set out on page 5. The directors do not recommend the payment of a dividend. The retained loss for the year of £223,026 (2002 - £nil) has been transferred from reserves.

FUTURE PROSPECTS

The first developments are due to be completed during the financial year ended 28 February 2005. On completion of developments the directors expect the company to trade profitably, whilst exploring further development opportunities.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial interests in the ordinary shares of the company at the end of the financial year were.

	£1 ordinary shares 2003	£1 ordinary shares 2002
Habib Mofarah Ghasri	1	1
Farid Fazelynia	1	1

AUDITORS

On 1 August 2003, Deloitte & Touche, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Director

24/1/

2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; and
- 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.

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEMPTON HOMES LIMITED (formerly Orient House Properties Limited)

We have audited the financial statements of Kempton Homes Limited (formerly Orient House Properties Limited) for the year ended 28 February 2003 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

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 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

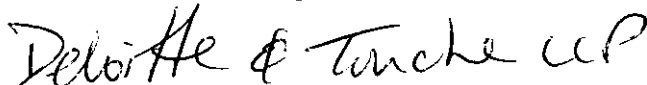
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 28 February 2003 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

24/1/05

KEMPTON HOMES LIMITED (formerly Orient House Properties Limited)

PROFIT AND LOSS ACCOUNT

Year ended 28 February 2003

		Year ended 28 February 2003	15 month period ended 28 February 2002
	Note	£	£
ADMINISTRATIVE EXPENSES		<u>(204,331)</u>	<u>-</u>
OPERATING LOSS	3	(204,331)	-
Interest payable	4	<u>(18,695)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(223,026)	-
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR	12	<u><u>(223,026)</u></u>	<u><u>-</u></u>

All activity has arisen from continuing operations.

There were no recognised gains or losses in either year other than the loss for the year and accordingly a Statement of Total Recognised Gains and Losses has not been prepared.

KEMPTON HOMES LIMITED (formerly Orient House Properties Limited)

BALANCE SHEET

28 February 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	6	779	-
CURRENT ASSETS			
Cash in hand and at bank		619	-
Stocks	7	2,586,311	-
Debtors	8	262,838	2
		2,849,768	2
CREDITORS: amounts falling due within one year	9	(3,073,571)	-
NET CURRENT (LIABILITIES)/ASSETS		(223,803)	2
NET (LIABILITIES)/ASSETS		(223,024)	2
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	(223,026)	-
SHAREHOLDERS' (DEFICITS)/FUNDS	13	(223,024)	2

These financial statements were approved by the Board of Directors on

24/1/

2005.

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents amounts receivable in respect of properties sold in the UK net of VAT.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write off the cost of the fixed assets over their expected useful lives as follows:

Office equipment	33 1/3% straight line
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Stocks

Stocks, including work in progress, are stated at the lower of cost and net realisable value. Cost includes materials and direct labour based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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 that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The only employees of the company are the directors to whom no emoluments were paid in the current year or the preceding year.

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

3. OPERATING LOSS

Operating loss is stated after charging:

	Year ended 28 February 2003 £	15 month period ended 28 February 2002 £
Depreciation	45	-
Auditors' remuneration	5,000	-
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 28 February 2003 £	15 month period ended 28 February 2002 £
Bank overdraft interest	16,159	-
Other loan interest	2,536	-
	<u> </u>	<u> </u>
	18,695	-
	<u> </u>	<u> </u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no liability to corporation tax on the loss for the year (2002 - £nil).

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK 19% (2002 - 19%). The differences are explained below:

	Year ended 28 February 2003 £	15 month period ended 28 February 2002 £
Loss on ordinary activities before tax	(223,026)	-
Tax on ordinary activities at standard UK corporation tax rate of 19% (2002 - Nil %)	42,375	-
Effects of:		
Capital allowances in excess of depreciation	148	-
Increase in tax losses	(42,523)	-
	<u> </u>	<u> </u>
Current tax charge for the year	-	-
	<u> </u>	<u> </u>

KEMPTON HOMES LIMITED (formerly Orient House Properties Limited)

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

6. FIXED ASSETS

The movement in the year was as follows:

	Office equipment £
Cost	
At 1 March 2002	-
Additions	824
At 28 February 2003	824
Depreciation	
At 1 March 2002	-
Charge for the year	45
At 28 February 2003	45
Net book value	
At 28 February 2003	779
At 1 March 2002	-

7. STOCKS

	2003 £	2002 £
Work in progress	2,586,311	-

8. DEBTORS

	2003 £	2002 £
Directors' loan accounts (note 15)	40,000	-
VAT recoverable	7,006	-
Other debtors	198,591	2
Prepayment and accrued income	17,241	-
	262,838	2

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade creditors	58,965	-
Bank loans and overdraft (see below)	1,281,081	-
Amounts owed to related parties (note 15)	1,200,000	-
Other loans (unsecured)	115,000	-
Accruals and deferred income	418,525	-
	3,073,571	-

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

a) The £270,000 term loan is secured by a legal charge over 73, 75, 77 and 79 Upper Chorlton Road for all sums not dated.

b) The Development overdraft of £1,011,081 is secured by:

A first and only debenture over the whole assets and undertakings of the Borrower including the uncalled capital.

A first and only Legal Charge over commercial investments premises located 308 Moseley Road, Levenshulme, Manchester.

A first legal charge (incorporating an assignment of rental income in respect of each unit of accommodation) over the development site known as Alexandra Road, Hulme, Manchester.

A Guarantee from Mr Habib Mofarah limited to £1,000,000.

A Guarantee from Mr Farid Fazelynia limited to £1,000,000.

An assignment over the JCT build contract with full step up rights.

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Not provided 2003 £	Not provided 2002 £
Tax losses	42,523	-
Accelerated capital allowances	(148)	-
	<u>42,375</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences related to tax losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £42,375 (2002-£Nil) and the asset would be recovered if sufficient taxable profits were realised in subsequent periods.

11. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and called-up 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. RESERVES

	Profit and loss account £
At 1 March 2002	-
Loss for the financial year	(223,026)
At 28 February 2003	<u>(223,026)</u>

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICITS)/FUNDS

	2003 £	2002 £
Loss for the financial year	(223,026)	-
Shares issued	-	2
Net (reduction in)/addition to shareholders' funds	(223,026)	2
Opening shareholders' funds	2	-
Closing shareholders' (deficits)/funds	<u>(223,024)</u>	<u>2</u>

14. FINANCIAL COMMITMENTS

Capital commitments

There are no capital commitments (2002 - £Nil).

15. RELATED PARTY TRANSACTIONS

During the financial year the land at Alexander Street, Hulme was transferred into the company at its market value of £1.2m. The land was transferred from the trust of Farid Fazelynia, a director and principal beneficiary. An amount of £1.2m was outstanding to the director's trust at the year end. The balance outstanding is unsecured and non interest bearing.

An unsecured loan was made to Farid Fazelynia during the year. The maximum amount outstanding to the company during the year was £40,000 and it was repaid in March 2003. The amount outstanding at the year end is shown in debtors.

16. CONTROLLING PARTY

The company is under the effective joint control of its directors F Fazelynia and H M Ghasri.