

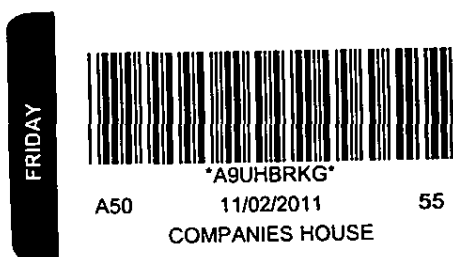
Charmglade Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2010

Company Registration No 04097912



Charmglade Limited

COMPANY INFORMATION

DIRECTORS	R Tchenguiz V A Tchenguiz
SECRETARY	M H P Ingham
COMPANY NUMBER	04097912 (England & Wales)
REGISTERED OFFICE	4th Floor Leconfield House Curzon Street London W1J 5JA
AUDITORS	Baker Tilly UK Audit LLP The Clock House 140 London Road Guildford Surrey GU1 1UW
SOLICITORS	Osborne Clarke One London Wall London EC2Y 5EB

Charmglade Limited

DIRECTORS' REPORT

The directors present their report and the financial statements of Charmglade Limited for the year ended 31 May 2010

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is the letting of investment property. There were no additions or disposals of investment property during the year.

The investment property held at 31 May 2010 was valued as at that date at £15,520,000 by the directors. The increase in value during the year amounted to £540,000 as set out in note 7.

Rent receivable has increased during the year as a result of a rent review, increasing from £788,524 to £816,175 per annum. Rent reviews are every year based on the increase in the Retail Price Index (RPI). A fellow group company has entered into a RPI swap to hedge the rental increases. The benefits and burdens of that hedge are being met by the company.

There have been no changes in tenancy during the year.

In the opinion of the directors the result for the year and the financial position of the company at 31 May 2010 were satisfactory.

KEY PERFORMANCE INDICATORS

The directors use the following key indicators to measure performance:

	2010	2009
Ratio of loan to property value	97%	101%
Interest rental cover	97%	86%

RISKS AND UNCERTAINTIES

It is the company's policy that no trading in financial instruments shall be undertaken. The company only enters into derivative contracts as part of its risk mitigation strategy.

The company is exposed to interest rate risk, tenant credit risk, cash flow risk, market value risk and third party risk.

Interest rate risk

The risk has been mitigated by the company only being party to fixed interest rate loans.

Tenant credit risk

The risk has been mitigated by the company only taking on appropriate tenants with credit checks undertaken by Prime Estates Property Management Limited, a fellow group company.

Cash flow risk

The company minimises its cash flow risk of non performance on its loan agreements by minimising its tenant credit risk and by utilising financial instruments to regularise future rent levels.

Charmglade Limited

DIRECTORS' REPORT (CONTINUED)

Market value risk

The company's investment property values are determined by market forces outside of the company's control

The company is not exposed to a loan default resulting from a fall in property values as the loan agreement does not include a loan to value covenant

Third party risk

The company is exposed to third party risk as the company's assets and undertakings are charged in respect of loan finance provided to fellow group companies under cross-guarantee and cross-collateralisation arrangements as detailed in note 10. The risk has been mitigated by the loan finance not including any loan to value covenants

DIVIDENDS

The directors do not recommend payment of a dividend

DIRECTORS

The following directors have held office since 1 June 2009

R Tchenguiz

V A Tchenguiz

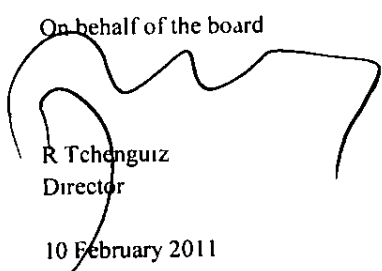
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

AUDITORS

The auditor Baker Tilly UK Audit LLP, Chartered Accountants has indicated its willingness to continue in office

On behalf of the board



R Tchenguiz
Director

10 February 2011

Charmglade Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Charmglade Limited

INDEPENDENT AUDITOR'S REPORT

To The Members Of Charmglade Limited

We have audited the financial statements on pages 5 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 the directors and auditors

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2010 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

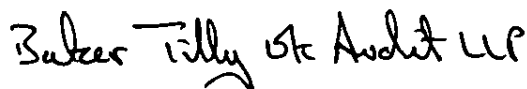
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit



David Worrow FCA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Clock House

140 London Road

Guildford

Surrey

GU1 1UW

10 February 2011

Charmglade Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2010

	Notes	2010 £	2009 £
TURNOVER	1	823,483	735,320
Other operating expenses	2	(10,440)	(8,250)
OPERATING PROFIT		813,043	727,070
Interest payable and similar charges	3	(884,283)	(833,472)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(71,240)	(106,402)
Taxation	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	13	(71,240)	(106,402)

All amounts derive from continuing activities

Charmglade Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 May 2010

	Notes	2010 £	2009 £
Loss for the financial year		(71 240)	(106 402)
Unrealised surplus/(deficit) on revaluation of properties	7	540,000	(950 000)
Total recognised gains and losses relating to the year		<u>468 760</u>	<u>(1 056,402)</u>

Charmglade Limited

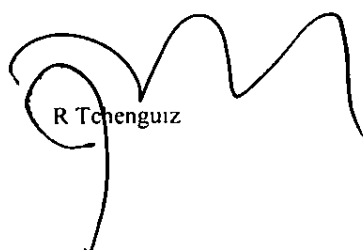
BALANCE SHEET

As at 31 May 2010

Company registration No 04097912

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	7	<u>15,520,000</u>	<u>14,980 000</u>
CURRENT ASSETS			
Debtors	8	3 446 046	3,537 347
CREDITORS Amounts falling due within one year	9	<u>(224,784)</u>	<u>(202,370)</u>
NET CURRENT ASSETS		<u>3,221,262</u>	<u>3,334,977</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,741,262</u>	<u>18,314,977</u>
CREDITORS Amounts falling due after more than one year	10	<u>(15,028,698)</u>	<u>(15,071,173)</u>
NET ASSETS		<u><u>3,712,564</u></u>	<u><u>3,243 804</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Revaluation reserve	13	5,197,076	4,657,076
Profit and loss account	13	<u>(1,484 513)</u>	<u>(1 413,273)</u>
SHAREHOLDERS' FUNDS	14	<u><u>3,712 564</u></u>	<u><u>3,243,804</u></u>

The financial statements on pages 5 to 14 were approved by the board of directors and authorised for issue on 10 February 2011 and are signed on its behalf by



R Tchenguiz

Director

Charmglade 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 with the exception of land and buildings which are stated at revalued amounts

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 is party to a cross-collateralised funding structure effected via a £100 million loan to a fellow group company, Greenflat Limited. The structure has been set up to be principally self-funding

The directors have assessed the operation of the structure and have determined that the company has, or can expect to have sufficient working capital for its needs for at least the next 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate to prepare the accounts on the going concern basis

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run

This treatment is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

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

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value

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. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis

CASHFLOW STATEMENT

The company is exempt from the requirement to prepare a cash flow statement, as more than 90% of the voting rights are controlled within the group and consolidated financial statements in which the company is included are publicly available

Charmglade Limited

ACCOUNTING POLICIES (CONTINUED)

RENT RECEIVABLE

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on a straight line basis over the term of the lease. Contingent rents such as turnover rents and indexed rents are recognised as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

HEDGING FINANCIAL INSTRUMENTS

Receipts and payments arising from financial instruments entered into in order to fix interest payable on loans are treated as additions to or reductions from interest payable.

Receipts and payments arising from financial instruments entered into in order to regularise income from the receipt of rent are treated as additions to or reductions from rental income.

The fair value of the financial instruments is not recognised in these accounts.

INVESTMENT DEPOSITS

Investment deposits arise where funding has been provided by way of complex financial instruments and are initially stated at cost. Where the funding is part of a hedging structure utilised to regularise income from rent the investment deposit is amortised at its internal rate of return and the reduction of the investment deposit is treated as an addition to rental income.

Where the funding otherwise has the attributes of loan relationships the carrying value is increased by advances received and by finance charges arising and reduced by payments made. Finance charges are calculated so as to produce a constant charge on the carrying amount.

Charmglade Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2010

1 TURNOVER

Turnover represents rent receivable adjusted for the effects of hedging financial instruments which are used to regularise the income from the receipt of rent as follows

	2010 £	2009 £
Rent receivable	853,134	780,128
Hedging financial instruments	(29,651)	(44,808)
	<u>823,483</u>	<u>735,320</u>

2 OTHER OPERATING EXPENSES

	2010 £	2009 £
Administrative expenses	<u>10,440</u>	<u>8,250</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Loan interest payable to group undertakings	849,717	854,410
Finance charges on investment deposits	-	(55,503)
Amortisation of finance charges	34,566	34,565
	<u>884,283</u>	<u>833,472</u>

The credit on the finance charges on investment deposits in 2009 resulted from a reversal of an over provision in prior years

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010 £	2009 £
Loss is stated after charging		
Auditor's remuneration	<u>2,500</u>	<u>2,500</u>

5 EMPLOYEES

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

Charmglade Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

6 TAXATION	2010 £	2009 £
UK Corporation tax	-	-
Current tax charge	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(71,240)</u>	<u>(106,402)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	<u>(19,947)</u>	<u>(29,793)</u>
Effects of		
Group relief	5,901	(2,910)
UK transfer pricing	14,046	32,703
	<u>19,947</u>	<u>29,793</u>
Current tax charge	<u>-</u>	<u>-</u>

7 TANGIBLE FIXED ASSETS

	Investment properties £
Valuation	
At 1 June 2009	14,980,000
Revaluation	540,000
	<u>15,520,000</u>
At 31 May 2010	<u>15,520,000</u>

The property was valued as at 31 May 2010 at £15,520,000 (2009 £14,980,000) by the directors

The original cost of the property was £10,322,924 (2009 £10,322,924). Included in the cost of the property are capitalised interest and finance charges of £505,988 (2009 £505,988)

Investment property at net book value comprises	2010 £	2009 £
Long Leasehold	<u>15,520,000</u>	<u>14,980,000</u>

Charmglade Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

8 DEBTORS	2010 £	2009 £
Trade debtors	-	966
Amounts owed by group undertakings	3,316,422	3,372,190
Prepayments and accrued income	129,624	164,191
	<u>3,446,046</u>	<u>3,537,347</u>

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

	2010 £	2009 £
Prepayments	<u>95,058</u>	<u>129,624</u>

9 CREDITORS amounts falling due within one year	2010 £	2009 £
Loan from group undertaking (note 10)	33,472	15,010
Investment deposit from group undertaking (note 10)	9,003	7,763
Other creditors	13,125	13,125
Accruals and deferred income	169,184	166,472
	<u>224,784</u>	<u>202,370</u>

Charmglade Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

10 CREDITORS amounts falling due after more than one year	2010 £	2009 £
Loan from group undertaking	14,237,229	14,270,701
Investment deposit from group undertaking	791,469	800,472
	<u>15,028,698</u>	<u>15,071,173</u>
Loan maturity analysis		
In more than one year but not more than two years	55,981	33,472
In more than two years but not more than five years	14,181,248	252,367
In more than five years	-	13,984,862
	<u>14,237,229</u>	<u>14,270,701</u>
Investment deposit maturity analysis		
In more than one year but not more than two years	10,273	9,003
In more than two years but not more than five years	38,725	34,741
In more than five years	742,471	756,728
	<u>791,469</u>	<u>800,472</u>

The group undertaking loan and investment deposit are with Greenflat Limited the funding for which is provided by a third party lender. The loan is repayable by instalments by 2014 and bears interest at a fixed rate of 5.99% per annum. The investment deposit is amortised over the period to 2037. The loan and investment deposit are secured by a fixed and floating charge over the company's investment property.

The loan and investment deposit are subject to cross-guarantees and cross-collateralisation of the underlying properties used as security with other group loans and investment deposits. The total value of the group loans and investment deposits subject to the cross-collateralisation arrangement including the company's loan and investment deposit, are £99,879,308 (2009 £99,984,362) and £3,063,218 (2009 £3,093,808) respectively and the fair value of the financial instruments also subject to the cross-collateralisation is £(34,293,874) (2009 £(25,182,299)).

11 DEFERRED TAXATION

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £15,520,000 (2009 £14,980,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £634,302 (2009 £662,300).

12 SHARE CAPITAL	2010 £	2009 £
Allotted issued and fully paid		
Equity		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

Charmglade Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

13 RESERVES

	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 June 2009	4,657,076	(1,413,273)
Loss for the year	-	(71,240)
Revaluation during the year	540,000	-
Balance at 31 May 2010	<u>5,197,076</u>	<u>(1,484,513)</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Loss for the financial year	(71,240)	(106,402)
Other recognised gains and losses	540,000	(950,000)
Net addition to/(depletion in) shareholders' funds	<u>468,760</u>	<u>(1,056,402)</u>
Opening shareholders' funds	<u>3,243,804</u>	<u>4,300,206</u>
Closing shareholders' funds	<u>3,712,564</u>	<u>3,243,804</u>

15 CONTROL

The company's immediate holding company is Birchlake Limited

The parent undertaking of the smallest and largest group for which group accounts are prepared and of which the company is a member is Brookrain Limited the company's ultimate United Kingdom holding company, which is registered in England. Copies of these group accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

The directors regard the ultimate holding company to be Sunnymist Limited, a company incorporated in the British Virgin Islands

The ultimate controlling party is the Tchenguiz Family Trust

16 RELATED PARTY TRANSACTIONS

The company is related to fellow subsidiaries of Sunnymist Limited with whom in many cases it has directors in common

One such company is Rotch Property Group Limited ("Rotch") Rotch provides management services to the company. At the balance sheet date and included within amounts owed by group undertakings £3,316,421 (2009 £3,372,189) was due from that company. Management fees payable for the year amounted to £5,875 (2009 £5,750). No interest accrues on this related party balance

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions with fellow group undertakings where 100% of the voting rights are controlled within the group