

Birchlake Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2008

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COMPANIES HOUSE

Company Registration No. 04151787

Birchlake Limited

DIRECTORS AND OFFICERS

DIRECTORS

R Tchenguiz
V A Tchenguiz

SECRETARY

M H P Ingham

COMPANY NUMBER

04151787 (England and Wales)

REGISTERED OFFICE

4th Floor
Leconfield House
Curzon Street
London
W1J 5JA

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

SOLICITORS

Olswang
90 High Holborn
London
WC1V 6XX

Birchlake Limited

DIRECTORS' REPORT

The directors present their report and financial statements of Birchlake Limited for the year ended 31 May 2008.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company, which has remained unchanged during the financial year, was that of an intermediate holding company.

In the opinion of the directors the result for the year and the financial position of the company at 31 May 2008 were satisfactory given the support of Rotch Property Group Limited, a related company.

FINANCIAL RISKS AND KEY PERFORMANCE INDICATORS

The company is an intermediate holding company; accordingly it has no key performance indicators.

The company is exposed to third party risk but has no exposure to financial, interest rate or credit risks other than through its investments in its subsidiaries. As its subsidiaries are involved in property investment the principal risks they have are in respect of interest rate, tenant credit risk and market value risk.

Interest rate risk

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

Tenant credit risk

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

Market value risk

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

Third party risk

The company is exposed to third party risk as the company's investment in its subsidiaries is charged in respect of the loan finance provided to fellow group companies under the cross-guarantee and cross-collateralisation arrangements detailed in note 14. 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 2007:

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.

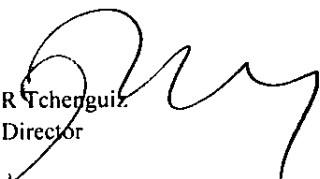
Birchlake Limited

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

On behalf of the board


R Tcherguiz
Director

6 March 2009

Birchlake 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 BIRCHLAKE LIMITED

We have audited the financial statements on pages 6 to 14.

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 (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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.

Basis of 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 May 2008 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

The Clock House

140 London Road

Guildford

Surrey

GU1 1UW

6 March 2009

Birchlake Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 May 2008

	<i>Notes</i>	2008 £	2007 £
Other operating expenses (net)	1	(2,217)	(3,245)
OPERATING LOSS		(2,217)	(3,245)
Investment income	2	10,818	2,852,673
		8,601	2,849,428
Interest payable and similar charges	3	-	(2,844,005)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	8,601	5,423
Taxation	6	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	8,601	5,423

All amounts derive from continuing activities.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Birchlake Limited

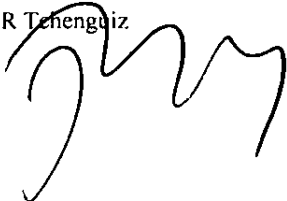
BALANCE SHEET

31 May 2008

	<i>Notes</i>	2008 £	2007 £
FIXED ASSETS			
Investments	7	<u>6</u>	<u>6</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	1	1
Cash at bank and in hand	9	<u>541,778</u>	<u>534,590</u>
		541,779	534,591
CREDITORS: Amounts falling due within one year	10	<u>(573,229)</u>	<u>(574,642)</u>
NET CURRENT LIABILITIES		<u>(31,450)</u>	<u>(40,051)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(31,444)</u>	<u>(40,045)</u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Profit and loss account	12	<u>(31,445)</u>	<u>(40,046)</u>
SHAREHOLDERS' FUNDS	13	<u>(31,444)</u>	<u>(40,045)</u>

The financial statements on pages 6 to 14 were approved by the board of directors and authorised for issue on 6 March 2009 and are signed on its behalf by:

R Tchenguiz



Director

Birchlake 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 directors have assessed the continuation and availability of support being provided by Rotch Property Group Limited (see note 16), a related company, 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. In view of this the directors consider it appropriate to prepare the accounts on the going concern basis.

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 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.

GROUP ACCOUNTS

The company and its subsidiary undertakings 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.

CASH FLOW STATEMENT

The company is exempt from the requirement to prepare a cashflow statement as it is entitled to the exemptions for small companies' accounts set out in section 246 to 249 of the Companies Act 1985.

Birchlake Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 May 2008

1. OTHER OPERATING EXPENSES (NET)	2008 £	2007 £
Administrative expenses	3,445	3,245
Other operating income	(1,228)	-
	<u>2,217</u>	<u>3,245</u>
2. INVESTMENT INCOME	2008 £	2007 £
Interest from group undertakings	-	2,772,295
Finance charges on investment deposits due from group undertakings	-	71,710
Bank interest	10,818	8,668
	<u>10,818</u>	<u>2,852,673</u>
3. INTEREST PAYABLE AND SIMILAR CHARGES	2008 £	2007 £
On bank loans	-	2,772,295
Finance charges payable on investment deposits	-	71,710
	<u>-</u>	<u>2,844,005</u>
4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration	2,000	2,000
	<u>2,000</u>	<u>2,000</u>
5. EMPLOYEES		

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

Birchlake Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2008

6. TAXATION	2008	2007
	£	£
Current tax charge	-	-
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	8,601	5,423
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2007: 30.00%)	2,408	1,627
Effects of:		
Non deductible expenses	56	-
Group relief	7,981	9,320
UK transfer pricing	(10,445)	(10,947)
	(2,408)	(1,627)
Current tax charge	-	-

Birchlake Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2008

7. FIXED ASSET INVESTMENTS

	<i>Shares in group undertakings</i>
	£
Cost	
1 June 2007 and 31 May 2008	6

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			
Lanemore Limited	England	Ordinary	100
Domecroft Limited	England	Ordinary	100
Foldlane Limited	England	Ordinary	100
Logways Limited	England	Ordinary	100
Wallmanor Limited	England	Ordinary	100
Charmglade Limited	England	Ordinary	100
* City & County (Bath) Limited	England	Ordinary	100
* Carpenter (Bath) Limited	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/(loss) for the year</i>
	£	£
Lanemore Limited	(914,091)	(143,126)
Domecroft Limited	(711)	-
Foldlane Limited	1,187	-
Logways Limited	(259,477)	38,343
Wallmanor Limited	695,023	(21,428)
Charmglade Limited	4,300,206	(191,112)
* City & County (Bath) Limited	1,090,611	(114,617)
* Carpenter (Bath) Limited	2,915,701	(112,530)

With exception of the companies marked with an asterisk, all shareholdings are in the name of Birchlake Limited.

Birchlake Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2008

8. DEBTORS	2008 £	2007 £
Due within one year:		
Amounts owed by group undertakings	<u>1</u>	<u>1</u>
9. CASH AT BANK AND IN HAND		
Included in the company's cash at bank is £538,751 (2007: £531,697) of funds lodged with financial institutions as part of the security arrangements for the borrowings from those institutions and which are not otherwise freely available for use.		
10. CREDITORS: Amounts falling due within one year	2008 £	2007 £
Amounts owed to group undertakings	<u>573,229</u>	<u>574,642</u>
11. SHARE CAPITAL	2008 £	2007 £
Authorised:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>
12. STATEMENT OF MOVEMENT ON RESERVES		
		<i>Profit and loss account £</i>
1 June 2007		(40,046)
Retained profit for the year		<u>8,601</u>
31 May 2008		<u>(31,445)</u>
13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2008 £	2007 £
Profit for the financial year	8,601	5,423
Opening shareholders' funds	<u>(40,045)</u>	<u>(45,468)</u>
Closing shareholders' funds	<u>(31,444)</u>	<u>(40,045)</u>

Birchlake Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2008

14. CONTINGENT LIABILITIES

The company's investment in its subsidiaries has been used as security against loans taken out by a group undertaking, Greenflat Limited. The loans are secured by a fixed and floating charge over the company's investments and by cross guarantees provided by fellow group companies and the cross-collateralisation of the properties owned by those fellow group companies. The total value of the loans subject to this arrangement as at 31 May 2008 was £103,285,220 (2007: £103,178,297).

15. CONTROL

The immediate holding company is Greenflat Limited, a company registered in England.

The company's ultimate holding company is Vin-Rotch Properties Limited Inc., a company incorporated in the Republic of Panama.

The ultimate controlling party is the Tchenguiz Family Trust.

Birchlake Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2008

16. 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 management charges of £1,175 (2007: £1,175) were payable to Rotch. At the balance sheet date, and included in Amounts owed to group undertakings, £573,223 (2007: £574,636) was due to Rotch and £6 (2007: £6) was due to the company's subsidiaries.

Rotch has agreed not to demand repayment of the amount due to it should that result in the company not being able to meet its obligations in the normal course of business. Rotch has also agreed to provide limited additional support to assist the company in meeting its operational costs as they arise should this be necessary.

No interest accrues on this related party balance.

The company previously provided its subsidiaries with loan and investment deposit financing.

At the balance sheet date the following amounts were due from group companies:

	2008	2007
	£	£
Restmead Limited	1	1

At the balance sheet date the following amounts were due to group companies:

	2008	2007
	£	£
Domecroft Limited	1	1
Foldlane Limited	1	1
Charmglade Limited	1	1
Lanemore Limited	1	1
Logways Limited	1	1
Wallmanor Limited	1	1
Rotch Property Group Limited	573,223	574,636
	<u>573,229</u>	<u>574,642</u>

During the year the following amounts of interest and finance charges were receivable from the company's subsidiaries:

	2008	2007
	£	£
Carpenter (Bath) Limited	-	561,434
Charmglade Limited	-	674,774
City & County (Bath) Limited	-	403,106
Lanemore Limited	-	528,583
Logways Limited	-	499,709
Wallmanor Limited	-	176,399
	<u>-</u>	<u>2,844,005</u>