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COMPANY REGISTRATION NUMBER FC16180

# HALLEY INVESTMENT COMPANY LIMITED

UNAUDITED FINANCIAL STATEMENTS

31 DECEMBER 2005

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# HALLEY INVESTMENT COMPANY LIMITED

## Officers and professional advisers

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### The board of directors

Viscount Petersham  
The Honourable W H L Stanhope  
R Waddington

### Company secretary

S J Morris

### Registered office

Cedar House  
41 Cedar Avenue  
Hamilton  
Bermuda

# HALLEY INVESTMENT COMPANY LIMITED

## Profit and loss account

Year ended 31 December 2005

	Note	2005 £	2004 £
Turnover		5,000	4,000
Administrative expenses		(10,506)	(9,271)
<b>Operating loss</b>		<b>(5,506)</b>	<b>(5,271)</b>
Profit on disposal of fixed assets		—	13,278
		<u>(5,506)</u>	<u>8,007</u>
Interest receivable	3	43	67
Interest payable and similar charges	4	(9,555)	(9,555)
		<u>(15,018)</u>	<u>(1,481)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(15,018)</b>	<b>(1,481)</b>
Tax on loss on ordinary activities	5	—	—
		<u>(15,018)</u>	<u>(1,481)</u>
<b>Loss for the financial year</b>		<b>(15,018)</b>	<b>(1,481)</b>

The accounting policies and notes on pages 4 to 9 form part of these unaudited financial statements.

# HALLEY INVESTMENT COMPANY LIMITED

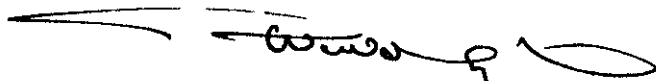
## Balance sheet

31 December 2005

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	6	45,000	45,000
Investments	7	2,943,055	3,944,055
		<u>2,988,055</u>	<u>3,989,055</u>
<b>Current assets</b>			
Debtors	8	12,968	10,389
Cash at bank		3,872	10,493
		<u>16,840</u>	<u>20,882</u>
<b>Creditors: Amounts falling due within one year</b>	9	<u>(1,955,279)</u>	<u>(2,954,858)</u>
<b>Net current liabilities</b>		<u>(1,938,439)</u>	<u>(2,933,976)</u>
<b>Total assets less current liabilities</b>		<u>1,049,616</u>	<u>1,055,079</u>
<b>Creditors: Amounts falling due after more than one year</b>	10	<u>(91,000)</u>	<u>(91,000)</u>
		<u>958,616</u>	<u>964,079</u>
<b>Capital and reserves</b>			
Called-up equity share capital	13	6,750	6,750
Revaluation reserve	14	25,000	25,000
Profit and loss account	15	926,866	932,329
<b>Shareholders' funds</b>		<u>958,616</u>	<u>964,079</u>

These unaudited financial statements have been prepared in accordance with the special provisions for small companies under Section 700 of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These unaudited financial statements were approved by the directors on the 15 December 2006 and are signed on their behalf by:



**R Waddington**  
Director

**The accounting policies and notes on pages 4 to 9 form part of these unaudited financial statements.**

# HALLEY INVESTMENT COMPANY LIMITED

## Accounting policies

Year ended 31 December 2005

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### **Basis of accounting**

The unaudited financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

### **Changes in accounting policies**

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

#### **Financial Reporting Standard for Smaller Entities (effective January 2005)**

The Financial Reporting Standard for Smaller Entities (effective January 2005) adopts the presentation requirements of FRS 25 - Financial Instruments. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments.

As a result, the preference shares have been re-classified as a liability rather than equity. This has resulted in a transfer of £91,000 from shareholders funds into long term liabilities in both the current year and the prior year.

### **Turnover**

Turnover represents invoiced amounts for rents receivable during the year, excluding value added tax.

In respect of contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of contracts for on-going services is recognised by reference to the stage of completion.

### **Fixed assets**

All fixed assets are initially recorded at cost.

### **Investment properties**

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with the Financial Reporting Standard for Smaller Entities which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

# HALLEY INVESTMENT COMPANY LIMITED

## Accounting policies *(continued)*

Year ended 31 December 2005

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### **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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# HALLEY INVESTMENT COMPANY LIMITED

## Notes to the unaudited financial statements

Year ended 31 December 2005

**1. Turnover**

Turnover and profit/(loss) before taxation arise directly from the principal activity and are generated in the United Kingdom in the ordinary course of business.

**2. Directors' emoluments**

The directors' aggregate emoluments in respect of qualifying services were:

	2005 £	2004 £
Aggregate emoluments	<u>1,714</u>	<u>2,938</u>

**3. Interest receivable**

	2005 £	2004 £
Bank interest receivable	<u>43</u>	<u>67</u>

**4. Interest payable and similar charges**

	2005 £	2004 £
Dividend on shares classified as financial liabilities	<u>9,555</u>	<u>9,555</u>

**5. Taxation on ordinary activities**

The company has surplus management expenses to carry forward of approximately £35,000 (2004 -£26,000).

**6. Tangible fixed assets**

	<b>Freehold investment property £</b>
<b>Cost or valuation</b>	
At 1 January 2005 and 31 December 2005	<u>45,000</u>
<b>Net book value</b>	
At 31 December 2005	<u>45,000</u>
At 31 December 2004	<u>45,000</u>

The directors are of the opinion that the value of the investment property, on the basis of open market value for existing use, is not materially different from the balance sheet amount. The directors therefore do not consider that any revaluation adjustment is required at 31 December 2005.

# HALLEY INVESTMENT COMPANY LIMITED

## Notes to the unaudited financial statements

Year ended 31 December 2005

### 7. Investments

#### Investment in subsidiary undertakings

£

#### Cost

At 1 January 2005 and 31 December 2005 70,758

#### Loans

At 1 January 2005 3,873,297

Repaid in year (1,001,000)

At 31 December 2005 2,872,297

#### Net book value

At 31 December 2005 2,943,055

At 31 December 2004 3,944,055

The company owns 100% of the ordinary share capital of Elvaston Investments Limited, a company incorporated in Great Britain and registered in England and Wales.

The loan due from the subsidiary undertaking is unsecured, interest free and includes an amount of £1,000,000 due to be paid before 31 December 2006. An amount of £1,872,297 is interest free and is not repayable before 31 December 2006.

### 8. Debtors

	2005 £	2004 £
Trade debtors	4,000	4,000
The Stanhope Trust	8,968	6,389
	<u>12,968</u>	<u>10,389</u>

All debtors are repayable within one year of the balance sheet date.

### 9. Creditors: Amounts falling due within one year

	2005 £	2004 £
Other creditors:		
Amounts due to related undertakings	1,789,801	2,789,802
Amounts due to subsidiary undertaking	162,540	162,540
Accruals and deferred income	2,938	2,516
	<u>1,955,279</u>	<u>2,954,858</u>

### 10. Creditors: Amounts falling due after more than one year

	2005 £	2004 £
Shares classed as financial liabilities	<u>91,000</u>	<u>91,000</u>



# HALLEY INVESTMENT COMPANY LIMITED

## Notes to the unaudited financial statements

Year ended 31 December 2005

### 12. Related party transactions

The Stanhope Trust owns all of the allotted ordinary share capital of the company.

Throughout the year and the previous year, Viscount Petersham had a beneficial interest in all of the allotted ordinary share capital through The Stanhope Trust, of which he is sole life tenant.

Included in creditors is an amount due to a group undertaking, Stanhope Hotels Limited, of £162,540 (2004 - £162,540).

Included in creditors are the following amounts due to related parties: Doublard Investment Company Limited - £37,848 (2004 - £37,848); The Chesterfield Trust - £1,749,744 (2004 - £2,749,744); and Stanhope Gardens Limited - £2,210 (2004 - £2,210).

Viscount Petersham had a beneficial interest in all the issued share capital of Doublard Investment Company Limited and Stanhope Gardens Limited as sole life tenant of The Chesterfield Trust.

All balances are payable or repayable within one year and are interest free.

### 13. Share capital

#### Authorised share capital:

	2005	2004
	£	£
9,000 Ordinary shares of £1 each	9,000	9,000
91,000 Net 10.5% non redeemable cumulative preference shares of £1 each	91,000	91,000
	<u>100,000</u>	<u>100,000</u>

#### Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	6,750	6,750	6,750	6,750
Net 10.5% non redeemable cumulative preference shares of £1 each	91,000	91,000	91,000	91,000
	<u>97,750</u>	<u>97,750</u>	<u>97,750</u>	<u>97,750</u>

#### Equity shares:

Ordinary shares of £1 each	<u>6,750</u>	<u>6,750</u>	<u>6,750</u>	<u>6,750</u>
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#### Shares classed as financial liabilities:

Net 10.5% non redeemable cumulative preference shares of £1 each	<u>91,000</u>	<u>91,000</u>	<u>91,000</u>	<u>91,000</u>
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# HALLEY INVESTMENT COMPANY LIMITED

## Notes to the unaudited financial statements

Year ended 31 December 2005

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### 13. Share capital *(continued)*

The dividend on the above preference shares is 21 years (2004 - 20) in arrears, amounting to £200,655 (2004 - £191,100).

The respective rights of the different classes of share capital are as follows:

#### Dividends

Dividends shall be applied in the following manner and priority:

- 1) Preference shares to receive a 10.5% dividend per annum together with any arrears; and
- 2) Any further dividends shall be paid to ordinary shareholders.

#### Winding up

On a winding up the surplus assets available to shareholders shall be applied in the following manner and priority:

- 1) Repayment of capital to preference shareholders; and
- 2) Any balance shall be paid to ordinary shareholders.

#### Voting

Preference shareholders have no voting rights, other than on a winding up or at a meeting called to reduce the share capital of the company, at which they have equal voting rights with ordinary shareholders. Ordinary shareholders have voting rights in all circumstances.

### 14. Revaluation reserve

There was no movement on the revaluation reserve during the financial year.

### 15. Profit and loss account

	2005	2004
	£	£
Balance brought forward	932,329	924,255
Loss for the financial year	(15,018)	(1,481)
Non-equity appropriation	9,555	9,555
Balance carried forward	<u>926,866</u>	<u>932,329</u>

The non-equity appropriation has been credited to the profit and loss account.

### 16. Analysis of shareholders' funds

Equity shareholders' interests at the end of the financial year are £757,961 (2004 - £772,979). Non-equity shareholders' interests at the end of the financial year are £291,655 (2004 - £282,100).