

HVL Neath Limited

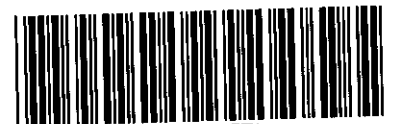
Report and Financial Statements

Period Ended

31 December 2006



BDO Stoy Hayward
Chartered Accountants



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HVL Neath Limited

Annual report and financial statements for the period ended 31 December 2006

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Directors

P Jacobs
P J Saunders

Secretary and registered office

P Jacobs, Philip House, 1A Spur Road, Orpington, Kent, BR6 0PH

Company number

05826447

Auditors

BDO Stoy Hayward LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 OPA

HVL Neath Limited

Report of the directors for the period ended 31 December 2006

The directors present their report together with the audited financial statements for the period ended 31 December 2006.

Results

The profit and loss account is set out on page 5 and shows the loss for the period.

Principal activities and review of the business

The company's principal activity is that of property investment.

The company was incorporated and commenced trading on the 23 May 2006.

The results for the period and financial position of the company at 31 December 2006 are as shown in the annexed financial statements.

Both the results for the period, and the period end financial position were satisfactory. The directors consider future prospects to be satisfactory.

Directors

The directors of the company during the period were:

P Jacobs
P J Saunders

No director had any beneficial interest in the share capital of the company.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and the United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

HVL Neath Limited

Report of the directors for the period ended 31 December 2006 (Continued)

Directors' responsibilities (Continued)

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.

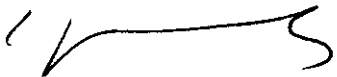
Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP were appointed as auditors during the year. They have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board



P Jacobs
Secretary

...4/9...2007

HVL Neath Limited

Report of the independent auditors

To the Shareholders of HVL Neath Limited

We have audited the financial statements of HVL Neath Limited for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 and whether the Directors' Report is consistent with those financial statements. We also 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.

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 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 judgments 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.

HVL Neath Limited

Report of the independent auditors (Continued)

Opinion

In our opinion the financial statements:

- 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 as at 31 December 2006 and of its result for the year then ended;
- the financial statements 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.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Gatwick*

Date *7 September 2007*

HVL Neath Limited

Profit and loss account for the period from 23 May 2006 to 31 December 2006

	Note	Period ended 31 December 2006 £
Turnover	2	18,068
Administrative expenses		3,585
Operating profit	3	14,483
Other interest receivable and similar income		104
Interest payable and similar charges		(37,145)
Loss on ordinary activities before taxation		(22,558)
Taxation on profit from ordinary activities	4	(6,752)
Loss on ordinary activities after taxation		(15,806)

All amounts relate to continuing activities.

All recognised gains and losses in the current period are included in the profit and loss account.

The notes on pages 7 to 11 form part of these financial statements.

HVL Neath Limited

Balance sheet at 31 December 2006

	Note	31 December 2006 £	31 December 2006 £
Fixed assets			
Tangible assets	5		2,279,431
			<hr/>
			2,279,431
Current assets			
Debtors	6	34,459	
Cash at bank and in hand		55,065	
		<hr/>	
		89,524	
Creditors: amounts falling due within one year	7	709,760	
		<hr/>	
Net current liabilities			(620,236)
			<hr/>
Total assets less current liabilities			1,659,195
Creditors: amounts falling due after more than one year	8		1,675,000
			<hr/>
Net liabilities			(15,805)
			<hr/> <hr/>
Capital and reserves			
Called up share capital	9		1
Profit and loss account			(15,806)
			<hr/>
Equity shareholders' deficit	10		(15,805)
			<hr/> <hr/>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board and authorised for issue on

4/9/07


P Saunders
Director

The notes on pages 7 to 11 form part of these financial statements.

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:

Joint ventures

An entity is treated as a joint venture where the company holds a long term interest and shares control under a contractual agreement.

The company's interest in its joint ventures are accounted for using the equity method of accounting. The reporting dates of the joint venture and the company are identical and the accounts are prepared on the basis of consistent accounting policies.

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 'small' company under the Companies Act 1985.

Turnover

Turnover represents the rental income receivable, service charges and other recoveries from investment properties in the United Kingdom.

In circumstances where a tenant has been given an incentive to enter into a lease by way of a payment, the incentive is treated as a reduction in rental income. The incentive is amortised on a straight line basis over the period from term commencement to the date of the first rent review, in accordance with UITF 28. Where an incentive is given to a tenant by way of a rent free period, the total rental income receivable for the period to the first rent review is recognised on a straight-line basis from term commencement to the date of the first rent review, in accordance with UITF 28.

Investment properties

In accordance with SSAP 19 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, in which case it is charged to the profit and loss account.

HVL Neath Limited

Notes forming part of the financial statements for the period ended 31 December 2006 (Continued)

1 Accounting policies (Continued)

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 are not discounted.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

Period ended
31 December
2006
£

This is arrived at after charging:

Audit services

1,250

4 Taxation on profit from ordinary activities

Period ended
31 December
2006
£

UK corporation tax

Current tax on losses of the period

(6,752)

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

HVL Neath Limited

Notes forming part of the financial statements for the period ended 31 December 2006 (Continued)

4 Taxation on profit from ordinary activities (Continued)	Period ended 31 December 2006 £
(Loss) on ordinary activities before tax	(22,558)
(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 30%	(6,767)
<i>Effects of:</i>	
Expenses not deductible for tax	15
Capital allowances in excess of depreciation	-
Group relief claim	(6,752)
Payments for group relief	6,752
Current tax charge for period	(6,752)
5 Tangible fixed assets	2006 Land and buildings £
<i>Cost</i>	
Additions	2,279,431
Disposals	-
At 31 December 2006	2,279,431
6 Debtors	31 December 2006 £
Other debtors	13,906
Prepayments	20,553
	34,459

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

HVL Neath Limited

Notes forming part of the financial statements for the period ended 31 December 2006 (*Continued*)

7 Creditors: amounts falling due within one year

	31 December 2006 £
Amounts due to group undertakings	676,258
Other creditors	766
Accruals	32,736
	<u>709,760</u>

8 Creditors: amounts falling due after more than one year

	31 December 2006 £
Bank loan	1,675,000
	<u>1,675,000</u>
Maturity of debt:	Loans 2006 £
In one year or less, or on demand	-
	<u>-</u>
In more than one year (see note below)	1,675,000
	<u>1,675,000</u>

The bank loans are interest only and repayable in more than 5 years and are secured on investment properties and by a fixed and floating charge over all the current and future assets of the company. The company has entered into interest rate swaps fixing Libor at a rate of 5.18%.

9 Share capital

	Authorised 2006 £	Allotted, called up fully paid 2006 £
<i>Equity share capital</i>		
Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

On incorporation, 1 ordinary share was issued as the initial subscriber share of the company at par.

HVL Neath Limited

Notes forming part of the financial statements for the period ended 31 December 2006 *(Continued)*

10 Reconciliation of movements in shareholders' funds

	Period ended 31 December 2006 £
Opening shareholders' funds	-
Loss for the year	(15,806)
Issue of shares	1
	<hr/>
Closing shareholders' deficit	(15,805)
	<hr/> <hr/>

11 Related party disclosures

Included within amounts due from group undertakings is a balance of £676,258 due to Harris Ventures Limited the parent company.

During the period a contribution to fit out costs of £150,000 was paid to Carpetright plc. Lord Harris and Martin Harris are directors and shareholders of Carpetright plc and Harris Ventures Limited.

Controlling parties

The company is a wholly owned subsidiary of Harris Ventures Limited, a company incorporated in England and Wales.

The ultimate controlling party is considered to be Lord Harris of Peckham, by virtue of his interest in the Harris Ventures Limited.

12 Going concern

A going concern basis has been used notwithstanding the net liabilities, on the net basis that the member companies have undertaken to provide such financial support as may be required for the continuation of the partnership's business for at least twelve months from the date of approval of these accounts.