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Reference:

Our Reference: 66/66/47640

11 January 2007

The Company Secretary
UKLI Limited
Berkeley Square House
Berkeley Square
Mayfair
London W1J 6BD

4656772

Dear Sirs

AUDITORS RESIGNATION

We hereby give notice, under S392 of the Companies Act, of our resignation as auditors to UKLI Limited.

As required under S394 of the Companies Act, we enclose a statement of circumstances connected with our ceasing to hold office which we consider should be brought to the attention of the member and the creditors of the company.

Yours faithfully

Moore Stephens LLP



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Your Reference:

Our Reference: 66/66/47640

11 January 2007

The Company Secretary
UKLI Limited
Berkeley Square House
Berkeley Square
Mayfair
London W1J 6BD

Dear Sir

We enclose our formal letter of resignation as auditors to your company.

We are writing pursuant to section 394 Companies Act 1985 to inform you of circumstances connected with our ceasing to hold office which we consider should be brought to the attention of the member and the creditors of the company. A copy of this letter should be sent to Companies House within 14 days of receipt.

The company's accounting reference date was changed from 28 February to 31 August on 14 December 2006. Before the change we carried out substantial work in respect of the audit of the financial statements for the year ended 28 February 2006, but the audit had not been completed.

The duly appointed directors of the company appear to have no involvement in the running of the business. Instead, the business is run by Robin Barton, Nigel Walter and Paul Charney, none of whom has been formally appointed as a director. Neither the sole shareholder nor the de jure or de facto directors have been prepared to address corporate governance issues with us.

At 28 February 2006 the company had loaned £553,002 to Bally Chohan. As he was then a director of the company, the loan was unlawful. In addition, since he is the sole shareholder of the company the loan gives rise to a liability of the company to tax of £138,250 payable on 28 November 2006. This tax has not been paid.

Mr Chohan resigned as a director on 24 April 2006. By 30 September 2006 the loan had risen to £957,732. We are unable to say whether the loan is recoverable.

At 28 February 2006 the company had loaned about £1.2 million to Chorus Direct Limited, a subsidiary company acquired during the year. A further £1.3 million had been advanced by 30 September 2006. Chorus Direct Limited is loss-making and the total sum of £2.5 million is unlikely to be recoverable.

As at 28 February 2006, a further £3.2 million of the company's funds had been lent to other companies or entities in the UK and overseas. Audit evidence available to us was deficient in respect of £2.2 million of loans to companies and entities whose ownership we were unable to discover or confirm. According to the company's management accounts, by 30 September 2006 this had increased to around £5.5 million. We have not been provided with any evidence that the company has a commercial rationale for making these loans.

As at 28 February 2006 £428,000 had been lent to a company owned by Robin Barton, which appears to be insolvent. By 30 September 2006 this sum had increased to £923,377.

11 January 2007

As at 30 September 2006 the sums loaned had been financed by:

- A £5 million bank facility from Clydesdale Bank drawn down in March 2006.
- £2.3 million advanced by individuals for deposits in respect of sales of land plots which have not yet been completed.
- £1 million of unpaid trade creditors.
- Unpaid corporation tax liabilities of £1.5 million.
- Unpaid PAYE liabilities of £324k.

We also noted that pursuant to legal obligations the company has made a provision for £500,000 plus VAT for costs relating to obtaining planning permission on each site from which plots have been sold. As at 28 February 2006, the total provision stood at £7.6 million but the company does not have the funds to incur this expenditure.

Furthermore, £3.245 million received from customers in respect of a site at Borehamwood is refundable plus 15% if the company does not obtain planning permission within five years and for which full provision has been made in the financial statements.

At various meetings with senior management and de facto directors we were informed of a number of transactions and proposed transactions with:

- "UKLI India", Saudi British Property Investments Limited and other entities whose ownership is unknown to us;
- Connaught Asset Management Limited, a company owned by Nigel Walter, and
- Bally Chohan

whose commercial rationale is unclear and which do not appear to be in the interests of the company.

Yours faithfully

Moore Stephens LLP