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Report and Accounts

Sovereign Land (H Investment) Limited

(Formerly known as Lionsgate (H) Investment Limited)

30 June 2000



Sovereign Land (H Investment) Limited (Formerly known as Lionsgate (H) Investment Limited)

Registered No. 3468246

DIRECTORS

J Nash

J L Schwartz

G H Aaronson

T J Binnington

R R W Falls

G P Newman

SE Ives

(resigned 18 April 2000)

(appointed 18 April 2000)

(resigned 3 April 2001)

(appointed 9 July 2000)

(appointed 9 July 2000)

(appointed 9 July 2000)

(resigned 8 July 1999)

SECRETARY

T & H Secretarial Services Ltd

AUDITORS

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

SE1 7EU

REGISTERED OFFICE

9 Grosvenor Street

London W1K 4QA

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 2000

CHANGE OF NAME

The company's name was changed from Lionsgate (H) Investment Limited to Sovereign Land (H Investment) Ltd on 9 March 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company is engaged in property investment.

RESULTS AND DIVIDENDS

The accounts show a loss after tax for the year of £1,244,099 (period to June 30 1999 – Profit of £5,693,669) which is dealt with as shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors during the period were as detailed on page 1.

DIRECTORS' INTERESTS

The directors have no interests in the Ordinary shares of the Company.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

On behalf of the board

Director

 31 JUL 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS

to the members of Sovereign Land (H Investment) Limited

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 30 June 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

3. July 2001

PROFIT AND LOSS ACCOUNT
 for the year ended 30 June 2000

		<i>Year ended</i> <i>30 June</i> <i>2000</i>	<i>Period ended</i> <i>30 June</i> <i>1999</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER			
Rental income	2	8,324,172	5,964,094
OPERATING PROFIT		8,324,172	5,964,094
Provision for permanent diminution in the value of properties		(7,335,000)	(270,425)
Loss on disposal of investment property		(2,233,271)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,244,099)	5,693,669
Tax on (loss)/profit on ordinary activities	4	-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,244,099)	5,693,669
(LOSS)/PROFIT FOR THE FINANCIAL YEAR/PERIOD		(1,244,099)	5,693,669

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Year ended</i> <i>30 June</i> <i>2000</i>	<i>Period ended</i> <i>30 June</i> <i>1999</i>
	<i>£</i>	<i>£</i>
(Loss)/Profit for the financial year/period	(1,244,099)	5,693,669
Unrealised deficit on revaluation of properties	(945,000)	(2,129,575)
Total recognised gains and losses related to the year/period	(2,189,099)	3,564,094

NOTE OF HISTORICAL COST PROFITS AND LOSSES

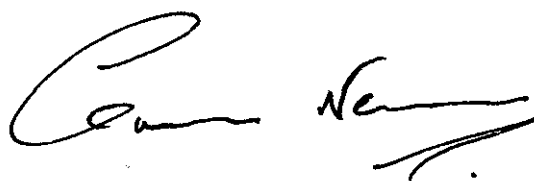
	<i>Year ended</i> <i>30 June</i> <i>2000</i>	<i>Period ended</i> <i>30 June</i> <i>1999</i>
	<i>£</i>	<i>£</i>
Reported (Loss)/Profit on ordinary activities before taxation	(1,244,099)	5,693,669
Realisation of property revaluation gains of prior periods	665,000	-
Historical cost profit on ordinary activities before taxation	(579,099)	5,693,669
Tax on ordinary activities	-	-
Historic cost profit for the financial year/period	(579,099)	5,693,669

Sovereign Land (H Investment) Limited (Formerly known as Lionsgate (H) Investment Limited)

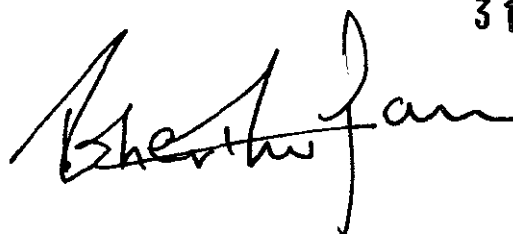
BALANCE SHEET
at 30 June 2000

	Notes	30 June 2000 £	30 June 1999 £
FIXED ASSETS			
Investment properties	5	60,170,000	103,705,000
CURRENT ASSETS			
Debtors	6	3,872,176	660,854
CREDITORS: amounts falling due within one year	7	(59,241,252)	(97,375,831)
NET CURRENT LIABILITIES		(55,369,076)	(96,714,977)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,800,924	6,990,023
		<u>4,800,924</u>	<u>6,990,023</u>
CAPITAL AND RESERVES			
Called up share capital	8	2	2
Revaluation reserve	9	1,241,800	-
Profit and loss account	9	3,559,122	6,990,021
		<u>4,800,924</u>	<u>6,990,023</u>

Directors



31 JUL 2001



NOTES TO THE ACCOUNTS
at 30 June 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention modified by the revaluation of all freehold and long leasehold properties held as fixed asset investments. The accounts are prepared in accordance with applicable accounting standards.

Investment properties

Investment properties comprise the Company's interest in freehold and long leasehold properties held for their investment potential. In accordance with Statement of Standard Accounting Practice No.19 such properties are included in the balance sheet at open market value. Investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Where a deficit on an individual investment property is expected to be permanent, it is recognised in the profit and loss account for the year.

Profits and losses realised on the disposal of investment properties are included in the results of the year before taxation. Such profits or losses represent sale proceeds less carrying value. Any surplus previously included in the revaluation reserve is transferred to distributable reserves.

Profit on the sale of properties is recognised on exchange of contracts provided that, if the exchange is conditional, all material conditions have been satisfied by the date the accounts are approved and there are no foreseeable circumstances which might prevent the completion of contracts and/or the physical handover of the properties concerned.

Depreciation

No depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation of investment properties is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Cashflow statement

The company according to FRS1 (revised 1996) is exempt from the requirement to prepare a statement of cashflows as it is an wholly subsidiary undertaking of Sovereign Land Property Holdings Ltd (formerly known as Lionsgate Holdings Limited), the consolidated accounts of which will include a consolidated statement of cashflows, including those of the company.

Related Party Transactions

As a subsidiary with more than 90% of voting rights controlled within the group, the company has taken the advantage of the exemption from reporting related party transactions, as permitted under FRS 8.

NOTES TO THE ACCOUNTS
at 30 June 2000

2. TURNOVER

Turnover, which is all attributable to continuing activities, represents the amounts derived from the principal area of activity, being that of the provision of office, retail and industrial premises, stated net of value added tax.

All of the Company's activities fall within the United Kingdom.

3. OPERATING PROFIT

No director received any remuneration from the company. The audit fees are borne by Sovereign Land (Property Management) Limited.

4. TAXATION

The losses arising in the year will be surrendered to other groups undertakings for no payment.

5. INVESTMENT PROPERTIES

	<i>Leasehold</i> £	<i>Freehold</i> £	<i>Total</i> £
At 1 July 1999	36,070,000	67,635,000	103,705,000
Disposals during year	(14,225,000)	(21,030,000)	(35,255,000)
Deficit on Revaluation	(700,000)	(245,000)	(945,000)
Permanent diminution in value	(1,375,000)	(5,960,000)	(7,335,000)
At 30 June 2000	19,770,000	40,400,000	60,170,000
Historical cost:			
As at 1 July 1999	35,648,200	68,312,225	103,960,425
Disposals during year	(14,755,000)	(19,835,000)	(34,590,000)
At 30 June 2000	20,893,200	48,477,225	69,370,425

Investment properties have been valued on an open market basis at 30 June 2000 by Allsop & Co, Chartered Surveyors. If all properties were realised or deemed to be realised at the stated values there would be taxation of £Nil payable (1999 £3,121,634).

The above properties are used as security for external loans held in Sovereign Land (H) Ltd

NOTES TO THE ACCOUNTS

at 30 June 2000

6. DEBTORS

	30 June 2000 £	30 June 1999 £
Called up share capital not paid	2	2
Amount due from fellow subsidiary undertakings	3,179,056	0
Other debtors	693,118	660,852
	<u>3,872,176</u>	<u>660,854</u>

7. CREDITORS: amounts falling due within one year

	30 June 2000 £	30 June 1999 £
Amounts due to fellow subsidiary and parent undertaking	57,226,254	94,451,815
Accruals and deferred income	2,014,998	2,924,016
	<u>59,241,252</u>	<u>97,375,831</u>

8. SHARE CAPITAL

	30 June 2000 No.	Authorised 30 June 1999 No.	30 June 2000 £	Allotted and called up 30 June 1999 £
Ordinary shares of £1 each	1,000	1,000	2	2

9. MOVEMENTS ON RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £	Revaluation reserve £	Profit and loss account £	Total share- holders' funds £
At 1 July 1998	2	2,129,575	1,296,352	3,425,929
Profit for the year ended 30 June 1999	-	-	5,693,669	5,693,669
Deficit on the revaluation of investment properties	-	(2,129,575)	-	(2,129,575)
At 1 July 1999	2	-	6,990,021	6,990,023
Deficit on the revaluation of investment properties	-	(945,000)	-	(945,000)
Loss for the year	-	-	(1,244,099)	(1,244,099)
Temporary diminutions in the value of investment properties during prior years now deemed permanent	-	2,851,800	(2,851,800)	-
Realisation of property valuation gains on sales	-	(665,000)	665,000	-
At 30 June 2000	<u>2</u>	<u>1,241,800</u>	<u>3,559,122</u>	<u>4,800,924</u>

NOTES TO THE ACCOUNTS

at 30 June 2000

10. ULTIMATE PARENT UNDERTAKING

The ultimate parent is Credit Suisse First Boston (International) A.G., a company incorporated in Switzerland. The smallest group which has included the company in its group accounts is Sovereign Land Properties Ltd, and the largest group is Sovereign Land Property Holdings Ltd, copies which are available from the registered office:

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