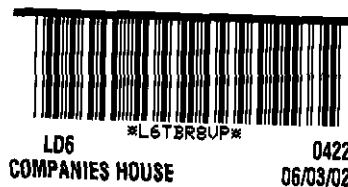


3468246

Report and Accounts

LG/SL (H Investment) Limited

31 December 2001



LG/SL (H Investment) Limited

Registered No. 3468246

DIRECTORS

J L Schwartz
T J Binnington
R R W Falls
G P Newman

SECRETARY

T & H Secretarial Services Limited

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
SE1 7EU

REGISTERED OFFICE

Brookfield House
44 Davies Street
London
W1K 5JA

DIRECTORS' REPORT

The directors present their report and accounts for the six month period ended 31 December 2001

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The Company was engaged in property investment. By 10 October 2001 the Company had sold all its remaining properties. The Company is now engaged in post completion matters.

RESULTS AND DIVIDENDS

The accounts show a loss after tax for the period of £10,481,272 (year to 30 June 2001 – profit of £5,742,771) 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. The directors were involved in a number of the Company's transactions, these are disclosed in note 11.

AUDITORS

The Company has passed a resolution under s386 of the Companies Act 1985 not to reappoint auditors annually. Ernst & Young LLP have expressed their willingness to continue in office for the forthcoming year.

On behalf of the Board

Director



27 FEB 2002

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LG/SL (H INVESTMENT) LIMITED

We have audited the company's financial statements for the period ended 31 December 2001 which comprise the Consolidated Profit and Loss Account, Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Statement of Historical Cost Profits and Losses and notes 1 to 12. These financial statements have been prepared on the basis of 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 United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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.

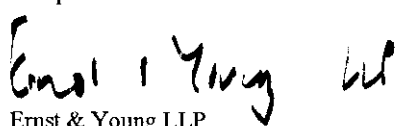
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 of the state of affairs of the company as at 31 December 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

21 February 2002

PROFIT AND LOSS ACCOUNT
 for the period ended 31 December 2001

		<i>Period ended 31 December 2001</i>	<i>Year ended 30 June 2001</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER			
Rental income	2	142,139	3,940,757
Inter company management fee		(1,089,947)	-
OPERATING PROFIT	3	(947,808)	3,940,757
Provision for permanent diminution in the value of properties		-	(920,068)
(Loss)/profit on disposal of investment property		(238,705)	2,722,082
Provision for irrecoverable inter company loan		(9,294,759)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(10,481,272)	5,742,771
Tax on (loss)/profit on ordinary activities	4	-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(10,481,272)	5,742,771
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD/YEAR		(10,481,272)	5,742,771

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Period ended 31 December 2001</i>	<i>Year ended 30 June 2001</i>
	<i>£</i>	<i>£</i>
(Loss)/profit for the financial period/year	(10,481,272)	5,742,771
Unrealised Deficit on revaluation of properties	-	(62,421)
Total recognised gains and losses related to the period/year	(10,481,272)	5,680,350

NOTE OF HISTORICAL COST PROFITS AND LOSSES

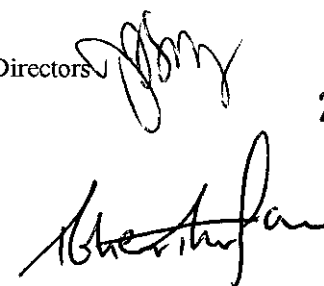
	<i>Period ended 31 December 2001</i>	<i>Year ended 30 June 2001</i>
	<i>£</i>	<i>£</i>
Reported (Loss)/Profit on ordinary activities before taxation	(10,481,272)	5,742,771
Realisation of property revaluation gains of prior periods	482,579	696,800
Historical cost profit on ordinary activities before taxation	(9,998,693)	6,439,571
Tax on ordinary activities	-	-
Historical cost profit for the financial period/year	(9,998,693)	6,439,571

BALANCE SHEET
at 31 December 2001

		31 December 2001	30 June 2001
	Notes	£	£
FIXED ASSETS			
Investment properties	5	-	20,122,511
Investments	6	-	2
		-	20,122,513
CURRENT ASSETS			
Debtors	7	2	7,152,930
CREDITORS: amounts falling due within one year	8	-	(16,794,169)
NET CURRENT ASSETS/LIABILITIES		2	(9,641,239)
TOTAL ASSETS LESS CURRENT LIABILITIES		2	10,481,274
		2	10,481,274
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Revaluation reserve	10	-	482,579
Profit and loss account	10	-	9,998,693
Equity Shareholders' funds		2	10,481,274

Directors

27 FEB 2002



NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention modified by the revaluation of certain fixed assets. 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 LG/SL Property Holdings Limited, the consolidated accounts of which will include a consolidated statement of cashflows, including those of the company.

NOTES TO THE ACCOUNTS
at 31 December 2001

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 LG/SL (Property Management) Limited.

4. TAXATION

The losses arising in the period will be surrendered to other group undertakings for no payment.

5. INVESTMENT PROPERTIES

	<i>Leasehold</i>	<i>Freehold</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 July 2001	8,508,036	11,614,475	20,122,511
Disposals during period	(8,508,036)	(11,614,475)	(20,122,511)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	-	-
	<hr/>	<hr/>	<hr/>
Historical cost:			
At 1 July 2001	10,025,000	12,145,644	22,170,644
Disposals during the period	(10,025,000)	(12,145,644)	(22,170,644)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	-	-
	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
at 31 December 2001

6. INVESTMENTS

Cost of subsidiary undertaking:

At 30 June 2001 and 31 December 2001	2
Disposals in the period	(2)
	<hr/>
At 31 December 2001	-

The Company is exempt from preparing group accounts, as it is included in the consolidated accounts of LG/SL Properties Limited, its immediate parent undertaking. The company is disposing of Sea Lion Limited a company registered in Jersey.

7. DEBTORS

	<i>31 December 2001 £</i>	<i>30 June 2001 £</i>
Trade debtors	-	159,212
Other debtors	2	36,451
Amount due from fellow subsidiary undertakings	-	6,957,267
	<hr/>	<hr/>
	2	7,152,930

8. CREDITORS: amounts falling due within one year

	<i>31 December 2001 £</i>	<i>30 June 2001 £</i>
Trade creditors	-	118,183
Accruals and deferred income	-	481,188
Amounts due to fellow subsidiary and parent undertaking	-	16,194,798
	<hr/>	<hr/>
	-	16,794,169

9. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted and called up</i>	
	<i>31 Dec 2001 No.</i>	<i>30 June 2001 No.</i>	<i>31 Dec 2001 £</i>	<i>30 June 2001 £</i>
Ordinary Shares of £1 each	1,000	1,000	2	2
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NOTES TO THE ACCOUNTS
at 31 December 2001

10. MOVEMENTS ON RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total share-holders' funds</i>
	£	£	£	£
At 1 July 2000	2	1,241,800	3,559,122	4,800,924
Deficit on the revaluation of investment properties	-	(62,421)	-	(62,421)
Profit for the year	-	-	5,742,771	5,742,771
Realisation of property valuation gains on sales	-	(696,800)	696,800	-
At 30 June 2001	2	482,579	9,998,693	10,481,274
Loss for the period	-	-	(10,481,272)	(10,481,272)
Realisation of property valuation gains on sales	-	(482,579)	482,579	-
At 31 December 2001	2	-	-	2

11. RELATED PARTY TRANSACTION

The remaining assets of the Company were sold to The Cyclone Limited Partnership pursuant to a contract dated 11 September 2001. The total consideration paid under the contract was £18,922,961 of which £13,912,511 was attributable to properties sold by the Company. Tim Binnington, Robert Falls and Graeme Newman were interested in this transaction as they own directly or indirectly a substantial interest in the issued share capital of Sovereign Land (Cyclone GP) Limited, which holds 20% of the equity in The Cyclone Limited Partnership. Each director declared their interest in the transaction and the terms of the deal were expressly considered and approved by the Company's shareholders. This transaction was effected at a fair market value.

12. ULTIMATE PARENT UNDERTAKING

The ultimate parent is Credit Suisse First Boston (International) A.G., a company incorporated in Switzerland. The smallest and largest group which has included the company in its group is LG/SL Property Holdings Limited, copies which are available from the registered office.

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