

Leisure Parks (General Partner II) Limited

**Directors' report and financial
statements**

Registered number 3580188

31 December 2003



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities and business review

The principal activity of Leisure Parks (General Partner II) Limited is operating and managing the X-Leisure Fund IIA and X-Leisure Fund IIB.

The results for the year are set out in detail on page 4. The directors do not recommend any dividend for the year.

Directors and directors' interests

The directors who held office during the year were as follows:

Andrew John Martin
Richard Balfour Lynn (Resigned 24 January 2003)
Michael Albert Bibring (Resigned 24 January 2003)
Andrew Francis Blurton (Resigned 24 January 2003)
John William Harrison (Resigned 24 January 2003)
Pierre-Yves Gerbeau (Appointed 24 January 2003)
Xavier Pullen (Appointed 24 January 2003, Resigned 14 April 2004, Re-appointed 21 February 2005)
Lynda Coral (Appointed 24 January 2003, Resigned 21 February 2005)
David Michael Brush (Resigned 30 November 2003)
Alistair William Dixon (Resigned 30 November 2003)
Paul Thomas Wray (Appointed 28 November 2003, Resigned 17 March 2004)
Richard Anthony Harrold (Resigned 17 March 2004)
John Anthony Seward Bassett (Appointed 24 March 2004)
Martin Barber (Appointed 14 April 2004)
Alasdair David Evans (Appointed 24 May 2004)

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Employees

The company had no employees during the year to 31 December 2003.

Political and charitable contributions

The company made no political contributions during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution for the reappointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


PY Gerbeau
Director

13 MAY 2005

Statement of the directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss 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.

The directors are responsible for the maintenance of 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 have general responsibility for taking such steps are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors to the members of Leisure Parks (General Partner II) Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 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 accounts give a true and fair view of the state of affairs of the company at 31 December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

19 May 2004

Profit and loss account
for the year ended 31 December 2003

| | <i>Note</i> | 2003 £ | 2002 £ |
|---|-------------|------------------|-----------|
| Administrative expenses | | (39,507) | (53,422) |
| Operating loss | | (39,507) | (53,422) |
| Other income | | - | - |
| Net interest receivable | 4 | 39,507 | 53,422 |
| Results on ordinary activities before and after taxation | | - | - |

There were no other recognised gains or losses for the year.

There is no difference between the historical cost results and the results as presented above.

Movements on reserves are set out in note 10.

Balance sheet
at 31 December 2003

| | Note | 2003 | 2002 |
|---|------|-------------|-------------|
| | | £ | £ |
| Fixed assets | | | |
| Investments | 5 | 55 | 55 |
| Current assets | | | |
| Debtors | 6 | 417,424 | 593,044 |
| Cash at bank and in hand | | 2,088,194 | 3,525,145 |
| Creditors: amounts falling due within one year | 7 | (2,505,573) | (4,118,143) |
| Net current assets | | 45 | 46 |
| Creditors: amounts falling due within one year | | - | (1) |
| Net assets | | 100 | 100 |
| Capital and reserves | | | |
| Called up share capital | 9 | 100 | 100 |
| Profit and loss account | | - | - |
| Shareholders' funds | 10 | 100 | 100 |

These accounts were approved by the board of directors on
 on its behalf by:

13 MAY 2005 and were signed

PY Gerbeau
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

Accounting conventions

The financial statements are prepared under the historical cost convention and comply with all applicable accounting standards.

Basis of preparation

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

2 Remuneration of directors and staff

None of the directors received any remuneration in the year ended 31 December 2003 (2002: £nil) for their services.

3 Staff numbers and costs

The company had no employees during the year ended 31 December 2003 (2002: nil).

4 Interest receivable

| | 2003 £ | 2002 £ |
|--------------------------|-----------|-----------|
| Bank interest receivable | 40,796 | 55,791 |
| Bank interest payable | (1,289) | (2,369) |
| | <hr/> | <hr/> |
| Net interest receivable | 39,507 | 53,422 |
| | <hr/> | <hr/> |

5 Investments

| | 2003 £ | 2002 £ |
|---------------------------------------|-----------|-----------|
| Interest in X-Leisure Fund II | 1 | 1 |
| Investment in subsidiary undertakings | 54 | 54 |
| | <hr/> | <hr/> |
| | 55 | 55 |
| | <hr/> | <hr/> |

The company is a participant in the X-Leisure Fund II in which it has a capital contribution of £1.

Notes (continued)

5 Investments (continued)

Leisure Parks (General Partner II) Limited also has the following investments in subsidiary undertakings:

| | 2003 | 2002 | |
|---|---------------|---------------|---------------------------|
| | Share capital | Share capital | Proportion of shares held |
| Subsidiary undertaking | £ | £ | |
| <i>Investments held directly: (registered in Jersey)</i> | | | |
| Leisure II (North Finchley) Limited | 2 | 2 | 100% |
| Leisure II (North Finchley Two) Limited | 2 | 2 | 100% |
| Leisure II (Manchester) Limited | 2 | 2 | 100% |
| Leisure II (Manchester Two) Limited | 2 | 2 | 100% |
| Leisure II (Birmingham) Limited | 2 | 2 | 100% |
| Leisure II (Birmingham Two) Limited | 2 | 2 | 100% |
| Leisure II (O2) Limited | 2 | 2 | 100% |
| Leisure II (O2 Two) Limited | 2 | 2 | 100% |
| Leisure II (Norwich) Limited | 2 | 2 | 100% |
| Leisure II (Norwich Two) Limited | 2 | 2 | 100% |
| Leisure II (Enfield) Limited | 2 | 2 | 100% |
| Leisure II (Enfield Two) Limited | 2 | 2 | 100% |
| Leisure II (Ashford) Limited | 2 | 2 | 100% |
| Leisure II (Ashford Two) Limited | 2 | 2 | 100% |
| Leisure II (West India Quay) Limited | 2 | 2 | 100% |
| Leisure II (West India Quay Two) Limited | 2 | 2 | 100% |
| Leisure II (Croydon) Limited | 2 | 2 | 100% |
| Leisure II (Croydon Two) Limited | 2 | 2 | 100% |
| Leisure II (Broadstreet) Limited | 2 | 2 | 100% |
| Leisure II (Broadstreet Two) Limited | 2 | 2 | 100% |
| Leisure II (Glasgow) Limited | 2 | 2 | 100% |
| Leisure II (Glasgow Two) Limited | 2 | 2 | 100% |
| Leisure II (St. Albans) Limited | 2 | 2 | 100% |
| Leisure II (St. Albans Two) Limited | 2 | 2 | 100% |
| <i>Investments held directly: (registered in England & Wales)</i> | | | |
| Leisure II (O2 LP) Shareholder Limited | 2 | 2 | 100% |
| Leisure II (O2 Manager) Shareholder Limited | 2 | 2 | 100% |
| Leisure II (West India Quay LP) Shareholder Limited | 2 | 2 | 100% |
| | 54 | 54 | |

6 Debtors

| | 2003 | 2002 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Amounts owed by related companies | - | 1,707 |
| Other debtors | 373,101 | 231,393 |
| Other taxes and social security | 44,323 | 359,944 |
| | 417,424 | 593,044 |

Notes (continued)

7 Creditors: amounts falling due within one year

| | 2003 £ | 2002 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 76,497 | 253,730 |
| Amounts owed to X-Leisure Fund IIA | 955,454 | 2,151,490 |
| Amounts owed to X-Leisure Fund IIB | 1,473,572 | 1,712,873 |
| Other creditors | 50 | 50 |
| | <u>2,505,573</u> | <u>4,118,143</u> |

8 Related Party Transactions

Leisure Parks (General Partners) Limited is a related parties of Leisure Park (General Partner II) Limited since it has common directors, namely Xavier Pullen, Lynda Coral, Martin Claisse, Alistair Dixon and PY Gerbeau.

At 31 December 2003, Leisure Park (General Partners) Limited owed Leisure Parks (General Partner II) Limited a total of £nil (2002: £1,707) representing VAT claimed by Leisure Parks (General Partners) Limited on behalf of Leisure Parks (General Partner II) Limited.

Capital & Regional Property Management Limited is also a related party of Leisure Park (General Partner II) Limited since it has common directors, namely Xavier Pullen, Lynda Coral and PY Gerbeau.

9 Called up share capital

| | 2003 £ | 2002 £ |
|---|------------|------------|
| <i>Authorised, allotted, called up and fully paid</i> | | |
| Ordinary shares | | |
| 651 Class A shares of 10p each | 65 | 65 |
| 149 Class B shares of 10p each | 15 | 15 |
| 200 Class C shares of 10p each | 20 | 20 |
| | <u>100</u> | <u>100</u> |

Notes *(continued)*

10 Reconciliation of movements on shareholders' funds

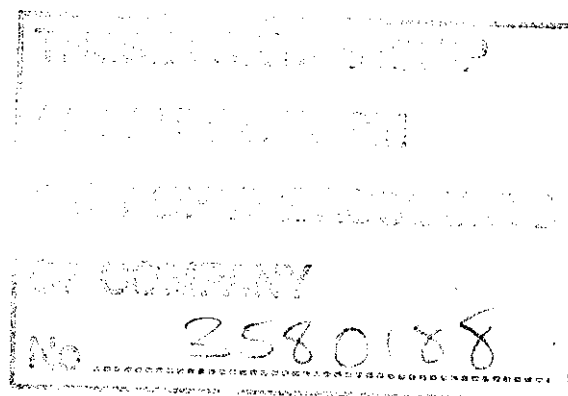
| | 2003 £ | 2002 £ |
|---|------------|------------|
| Opening and closing shareholders' funds | <u>100</u> | <u>100</u> |

11 Ultimate parent company

The company is a subsidiary undertaking of Capital & Regional plc, which is registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Capital & Regional plc, incorporated in the UK. The consolidated financial statements are available to the public and may be obtained from the Company Secretary, 10 Lower Grosvenor Place, London, SW1W 0EN.

2580188



X – Leisure Fund II A

Partnership accounts

Registered number LP5856

For the year ended 31 December 2003

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Partnership accounts

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Partnership information

| | |
|---|--|
| Partnership number | LP5856 |
| Limited partners | Coal Pension Properties Limited BriTel Fund Trustees Ltd Scottish Widows Investment Management Ltd Shell Pensions Trust Sun Life Assurance Company of Canada United Friendly Insurance Plc Capital & Regional (Leisure LP) Ltd |
| General partner | Leisure Parks (General Partner II) Limited |
| Manager | Capital & Regional Property Management Limited |
| Registered office of general partner | 179 Great Portland Street London W1W 5LS |
| Auditors | KPMG LLP 1 Canada Square London E14 5AG |
| Business address | 10 Lower Grosvenor Place London SW1W 0EN |

Report of the General Partner Leisure Parks (General Partner II) Limited
For the year ended 31 December 2003

The General Partner presents the financial statements for the year ended 31 December 2003.

The Partnership

The partnership was established on 10 August 1998 and was registered as a Limited Partnership under the Limited Partnerships Act 1907.

Principal activities and review of the business

The partnership continues to hold its investment properties

Results and dividends

The profit for the year amounted to £3.2 million and has been fully distributed to the Partners.

Auditors

The auditors, KPMG LLP, will be proposed for re-appointment

On behalf of the General Partner



Leisure Parks (General Partner II) Limited



15 December 2004

Statement of general partners' responsibilities

For the year ended 31 December 2003

The General Partner is responsible for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing those financial statements, the General Partner is 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;
- prepare the financial statements on the ongoing basis unless it is inappropriate to presume that the partnership will continue in business.

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the partnership and to enable the General Partner to ensure that the financial statements comply with relevant regulations. The General Partner is also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the independent auditors to the Partners of X – Leisure Fund II A

We have audited the financial statements on pages 5 to 18.

This report is made solely to the partners, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the partners those matters we have been engaged to state them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partners, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of partners and auditors

The partners are responsible for preparing, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards and the Partnership Agreement dated 10 August 1998. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Partnership Agreement. We also report to you if, in our opinion, the partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

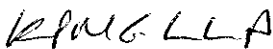
Basis of audit opinion

We conducted an audit in accordance with the 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 operators in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company 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, 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 the Partnership's affairs as at 31st December 2003 and of its profits for the year then ended and have been properly prepared on the basis of the accounting policies set out in note 1 to the financial statements and in accordance with the Partnership Agreement dated 10 August 1998.



KPMG LLP
Chartered Accountants
Registered Auditor

17 December 2004

Profit and loss account
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--|-------------|--|--|
| Turnover | | 15,289 | 13,708 |
| Cost of sales | | (1,795) | (1,578) |
| Gross profit | | 13,494 | 12,130 |
| Administrative expenses | | (1,350) | (1,369) |
| Profit on ordinary activities before interest | | 12,144 | 10,761 |
| Interest receivable and similar income | 2 | 42 | 99 |
| Interest payable and similar charges | 3 | (9,030) | (8,487) |
| Profit on ordinary activities before taxation | 4 | 3,156 | 2,373 |
| Taxation | | - | - |
| Profit for the financial period | | 3,156 | 2,373 |
| Income distributions | 5 | (3,156) | (2,373) |
| Transfer to Limited Partners' income accounts | 14 | - | - |

Statement of total recognised gains and losses
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--|-------------|--|--|
| Profit for the financial period | | 3,156 | 2,373 |
| Revaluation surplus/(deficit) for the year credited/(debited) to Limited Partners' revaluation accounts | 13 | 2,892 | (4,553) |
| Total recognised gains and losses for the period | | 6,048 | (2,180) |

All operations of the Partnership are continuing. There is no difference between the results as described in the profit and loss account and the results on an unmodified historical cost basis.

Allocation of total recognised gains and losses
for the year ended 31 December 2003

| | Share of Partnership | Allocation of results for the year ended 31 December 2003 £'000 |
|---|----------------------|--|
| | % | |
| BriTel Fund Trustees Ltd | 26.29 | 1,590 |
| Scottish Widows Investment Management Limited | 17.14 | 1,037 |
| United Friendly Insurance Plc | 17.14 | 1,037 |
| Coal Pension Properties Limited | 17.14 | 1,037 |
| Shell Pensions Trust Limited | 8.57 | 517 |
| Sun Life Assurance Company of Canada | 8.00 | 484 |
| Capital & Regional Leisure LP Limited | 5.72 | 346 |
| | <hr/> | <hr/> |
| | 100.00 | 6,048 |
| | <hr/> | <hr/> |

Balance sheet
at 31 December 2003

| | <i>Note</i> | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|-------------|---------------------------------------|------------------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 233,873 | 230,051 |
| Current assets | | | |
| Debtors | 7 | 3,661 | 4,799 |
| Committed cash | 8 | 7,172 | 6,290 |
| Available cash | 8 | (1,039) | 319 |
| | | <hr/> 9,794 | <hr/> 11,408 |
| Creditors: amounts falling due within one year | 9 | <hr/> (35,842) | <hr/> (36,284) |
| Net current liabilities | | <hr/> (26,048) | <hr/> (24,876) |
| Total assets less current liabilities | | <hr/> 207,825 | <hr/> 205,175 |
| Creditors: amounts falling due after more than one year | 10 | <hr/> (123,217) | <hr/> (123,459) |
| Net assets | | <hr/> <hr/> 84,608 | <hr/> <hr/> 81,716 |
| Partners' accounts | | | |
| Partners' capital contribution accounts | 11 | 9 | 9 |
| Limited Partners' loan accounts | 12 | 77,450 | 77,450 |
| Limited Partners' revaluation accounts | 13 | 6,472 | 3,580 |
| Limited Partners' income accounts | 14 | 677 | 677 |
| Partners' funds | 22 | <hr/> <hr/> 84,608 | <hr/> <hr/> 81,716 |

Reconciliation of movements in Partners' funds
for the year ended 31 December 2003

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|--|--|
| Opening partners' funds | 81,716 | 84,644 |
| Profit for the financial period | 3,156 | 2,373 |
| Income distributions paid and proposed in the period | (3,156) | (2,373) |
| Net revaluation deficit on investment properties debited to revaluation reserve | 2,892 | (4,553) |
| Limited Partner's loan account net increase during the period | - | 1,625 |
| Closing Partners' funds | 84,608 | 81,716 |

Cash flow statement
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|-------------|--|--|
| Net cash inflow from operating activities | <i>15</i> | 10,450 | 10,351 |
| Returns on investments and servicing of finance | <i>16</i> | (6,553) | (8,118) |
| Capital expenditure | <i>17</i> | (1,163) | (4,496) |
| Income distributions paid | <i>5</i> | (3,557) | (2,789) |
| | | <hr/> | <hr/> |
| Net cash outflow before financing | | (823) | (5,052) |
| Financing | <i>18</i> | (535) | 4,889 |
| | | <hr/> | <hr/> |
| Decrease in available cash during the period | <i>19</i> | (1,358) | (163) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|-------------|--|--|
| Decrease in available cash during the period | <i>19</i> | (1,358) | (163) |
| Decrease/(increase) in loans during the period | <i>18</i> | 535 | (3,264) |
| | | <hr/> | <hr/> |
| Increase in net debt during the period | <i>19</i> | (823) | (3,427) |
| Opening net debt | <i>19</i> | (148,076) | (144,649) |
| | | <hr/> | <hr/> |
| Closing net debt | <i>19</i> | (148,899) | (148,076) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

Basis of accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of investment properties and in accordance with the Leisure Fund Partnership Agreement dated 10 August 1998 and amended on 7 September 1999. They have also been prepared in accordance with applicable United Kingdom accounting standards, modified by the analysis of cash between committed and available cash.

Cash flow statement

The cash flow statement reconciles movements in cash after deducting committed cash, where committed cash comprises cash set aside to fund trade creditors and interest accrued at the year end which are due for payment shortly thereafter.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual valuation. Aggregate surpluses or deficits arising on valuation are transferred to a revaluation reserve. Permanent diminutions in the value of investment properties to below their carrying values are charged directly to the profit and loss account. Additions include only costs of a capital nature. Interest and other related costs are treated as revenue expenditure and written off as incurred.

In accordance with Statement of Standard Accounting Practice 19, depreciation and amortisation is not provided in respect of freehold investment properties. Leasehold investment properties are not depreciated where the unexpired term is over twenty years.

Developments in progress

Developments in progress are valued at the lower of cost and net realisable value. Completed developments held for their investment potential are transferred at cost to fixed assets and treated as investment properties.

Loan issue costs

In accordance with FRS4, issue costs incurred in obtaining loan finances are amortised over the estimated life of the loan and charged to the profit and loss account as part of the interest expense. Bank loans are disclosed net of unamortised loan issue costs.

Turnover

Turnover represents rental income receivable by the Partnership from third parties during the period, excluding value added tax.

Taxation

The Partnership is not a taxable entity and accordingly no provision is made in these accounts for taxation.

Operating lease incentives

Rent frees given to tenants are amortised over the earlier of either the period of the lease, or, to when the rent is adjusted to the prevailing market rate, usually the first rent review.

Capital contributions given to tenants are shown as a debtor, and amortised over the earlier of either the period of the lease, or, to when the rent is adjusted to the prevailing market rate, usually the first rent review.

The valuation of the properties is reduced by the unamortised rent incentives and the unamortised capital contributions.

On the disposal of investment properties, the unamortised rent incentives are charged against rental income and the balance of the unamortised capital contributions are charged to the disposal of investment properties.

Notes (continued)

2 Interest receivable and similar income

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--------------------------------------|--|--|
| Interest receivable on bank deposits | 42 | 99 |

3 Interest payable and similar charges

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|--|--|
| Bank interest on loans repayable between one and five years | (8,654) | (8,118) |
| Bank charges and amortised debt issue costs | (376) | (369) |
| | <u>(9,030)</u> | <u>(8,487)</u> |

4 Profit on ordinary activities before taxation

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--|--|--|
|--|--|--|

The profit on ordinary activities before taxation, and where appropriate the acquisition cost of the Partnership's freehold and long leasehold properties, are stated after charging:

Management fees payable in accordance with the Partnership agreement:

| | | |
|---|-------|-------|
| Capital & Regional Property Management Limited (as Manager) | 1,108 | - |
| MWB Fund Management Limited (as Manager) | - | 1,127 |
| Jones Lang LaSalle Corporate Finance (as Operator) | 38 | 38 |
| Audit fee | 24 | 22 |

Notes (continued)

5 Income distributions

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--|--|--|
| Income distribution, paid on 28 January 2003 | - | 834 |
| Income distribution paid 2 May 2003 | 869 | - |
| Income distribution, paid July 2003 | 970 | - |
| Income distribution, paid October 2003 | 884 | - |
| Income distribution proposed (paid March 2004) | 433 | - |
| Distributions made in 2002 | - | 1,539 |
| | <u>3,156</u> | <u>2,373</u> |

6 Tangible fixed assets

| | Investment properties Freehold properties £'000 | Long leasehold Properties £'000 | 31 December 2003 £'000 |
|--|--|---------------------------------------|------------------------------|
| Cost or valuation | | | |
| At 1 January 2003 | 142,751 | 87,300 | 230,051 |
| Additions in the period | 566 | 364 | 930 |
| Valuation (deficit)/surplus for the period | (543) | 3,435 | 2,892 |
| At 31 December 2003 | <u>142,774</u> | <u>91,099</u> | <u>233,873</u> |

The Partnership's investment properties at 30 September 2003 were valued by DTZ Debenham Thorpe, qualified external valuers, on a market value basis, at £233.9 million. The valuations were carried out in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

All tangible fixed assets of the Group are located within the United Kingdom.

In accordance with the Partnership's accounting policy, freehold and long leasehold investment properties totalling £233.9 million (2002: £230.1 million) are not depreciated.

Notes (continued)

6 Tangible fixed assets (continued)

Details of the Partnership's properties are as follows:

| | Cost at 31 December 2002 | Surplus 8 September 1998 to 31 December 2002 | Cost or valuation at 31 December 2002 | Additions in year ended 31 December 2003 | Valuation deficit year ended 30 September 2003 | Cost or valuation at 31 December 2003 |
|----------------------------|--------------------------------|--|--|--|--|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 02 Finchley Road | 63,083 | 6,217 | 69,300 | 359 | 3,242 | 72,901 |
| North Finchley | 18,160 | (160) | 18,000 | 7 | 193 | 18,200 |
| Birmingham | 77,784 | (5,284) | 72,500 | 498 | (1,198) | 71,800 |
| Manchester | 32,162 | 1,538 | 33,700 | 40 | (40) | 33,700 |
| Norwich | 35,282 | 2,318 | 37,600 | 26 | 824 | 38,450 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 226,471 | 4,629 | 231,100 | 930 | 3,021 | 235,051 |
| Operating lease incentives | - | (1,049) | (1,049) | - | (129) | (1,178) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 226,471 | 3,580 | 230,051 | 927 | 2,892 | 233,873 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The 02 Finchley Road property is held by the 02 Limited Partnership. X-Leisure Fund IIA has a 75% interest in the 02 Limited Partnership.

7 Debtors

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|------------------------------|------------------------------|
| Trade debtors | 1,652 | 1,493 |
| Amounts due from Leisure Parks (General Partner II) Ltd | 647 | 2,005 |
| Other debtors | 180 | 182 |
| Prepayments and accrued income | 5 | 70 |
| Unamortised operating lease incentives | 1,177 | 1,049 |
| | <hr/> | <hr/> |
| | 3,661 | 4,799 |
| | <hr/> | <hr/> |

Notes (continued)

8 Cash

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|--|------------------------------|------------------------------|
| Committed cash | | |
| Loan interest payable | 2,150 | 2,221 |
| Creditors | 1,306 | 1,060 |
| VAT due to Customs and Excise | 687 | 624 |
| Capital expenditure | 1,938 | 1,735 |
| Service charge floats and retention accounts | 1,091 | 650 |
| | <hr/> 7,172 | <hr/> 6,290 |
| Available cash | <hr/> (1,039) | <hr/> 319 |

9 Creditors: amounts falling due within one year

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|--|------------------------------|------------------------------|
| Trade creditors | 1,604 | 922 |
| Other creditors | 792 | 788 |
| Current portions of bank loans (see note 10) | 24,220 | 24,220 |
| <i>Forward commitments to purchase properties:</i> | | |
| Norwich, Riverside, Phase I Unit 3A & 3B | 1,168 | 2,609 |
| Manchester, Parrs Wood | 123 | 400 |
| Birmingham, Star City | 910 | 430 |
| Proposed income distribution | 433 | 834 |
| VAT, Social Security and PAYE | 687 | 624 |
| Accruals | 2,398 | 2,100 |
| Deferred income | 3,507 | 3,357 |
| | <hr/> 35,842 | <hr/> 36,284 |

Notes *(continued)*

10 Creditors: amounts falling due after more than one year

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|-------------------------------|---------------------------------------|------------------------------|
| Bank loans (secured) | 123,643 | 124,176 |
| Less issue costs | (426) | (717) |
| | <hr/> 123,217 <hr/> | <hr/> 123,459 <hr/> |
| Summary of total loans | | |
| | £'000 | £'000 |
| Repayable: | | |
| Within one year or on demand | - | 24,220 |
| Between two and five years | 147,860 | 124,176 |
| | <hr/> | <hr/> |
| Total loans | <hr/> 147,860 <hr/> | <hr/> 148,396 <hr/> |

At 31 December 2003, the Partnership had bank loans due for repayment as follows:

| Property | Term of facility | Interest rate | Due within one year | Due after more than one year |
|------------------------|-------------------------|----------------------|--------------------------------|---|
| Parrs Wood | August 2005 | 5.21% - 7.7% Collar | - | 24,220 |
| Star City | August 2005 | 5.11% - 7.7% Collar | - | 46,490 |
| North Finchley | August 2005 | 5.45% - 7.7% Collar | - | 12,208 |
| 02 Limited Partnership | August 2005 | 6.52% Fixed | - | 43,000 |
| Norwich | March 2005 | 6.62% Fixed | - | 21,942 |
| | | | <hr/> | <hr/> |
| | | | - | 147,860 |
| | | | <hr/> | <hr/> |

The Parrs Wood development loan facility of £24.22 million will be refinanced by a term loan facility of £21.56 million, with the balance being repaid from equity to be drawdown from the Limited Partners.

Notes *(continued)*

11 Partners' capital contribution accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|-----------------------------------|---------------------------------------|------------------------------|
| Capital introduced 10 August 1998 | 9 | 9 |

Capital contributions are the amounts specified in Schedule 1 of the Limited Partnership Agreement in respect of Limited Partners, together with the capital contribution of the General Partner as specified in Section 2.2 of the Limited Partnership Agreement.

12 Limited Partners' loan accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|----------------------------|---------------------------------------|------------------------------|
| Balance at start of year | 77,450 | 75,825 |
| Loans drawn in the period | - | 1,625 |
| At 31 December 2003 | 77,450 | 77,450 |

Limited Partners' loan accounts are the amounts drawn at 31 December 2003 from the Loan Commitments specified in Schedule 1 of the Limited Partnership Agreement.

13 Limited Partners' revaluation accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|---------------------------------------|------------------------------|
| Balance at start of year | 3,580 | 8,133 |
| Revaluation surplus/(deficit) in the period | 2,892 | (4,553) |
| Balance at 31 December 2003 | 6,472 | 3,580 |

14 Limited partners' income accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|---------------------------------------|------------------------------|
| At start of period | 677 | 677 |
| Transfer from the profit and loss account | - | - |
| At 31 December 2003 | 677 | 677 |

Notes *(continued)*

15 Net cash inflow from operating activities

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|--|--|
| Operating profit | 12,144 | 10,761 |
| Amortisation of lease incentives | (277) | 445 |
| Decrease/(increase) in debtors and committed cash | 256 | (2,385) |
| (Decrease)/Increase in creditors | (1,673) | 1,530 |
| | <u>10,450</u> | <u>10,351</u> |

16 Returns on investments and servicing of finance

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|------------------------------------|--|--|
| Interest and other income received | 43 | 99 |
| Loan issue costs paid | - | 26 |
| Interest paid | (6,596) | (8,243) |
| | <u>(6,553)</u> | <u>(8,118)</u> |

17 Capital expenditure

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|------------------------------------|--|--|
| Additions to investment properties | <u>1,163</u> | <u>4,496</u> |

18 Financing

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---------------------------------|--|--|
| Limited Partners' Loan Accounts | - | 1,625 |
| Bank loans | (535) | 3,264 |
| | <u>(535)</u> | <u>4,889</u> |

Notes (continued)

19 Analysis of changes in net debt

| | 31 December 2003 £'000 | Movement during period £'000 | 31 December 2002 £'000 | Movement during year £'000 | 31 December 2001 £'000 |
|---|------------------------------|------------------------------------|------------------------------|----------------------------------|------------------------------|
| Available cash | (1,039) | (1,358) | 319 | (163) | 482 |
| Bank loans due within one year | - | 24,220 | (24,220) | (629) | (23,591) |
| Bank loans due after more than one year | (147,860) | (23,685) | (124,175) | (2,635) | (121,540) |
| Net debt | <u>(148,899)</u> | <u>(823)</u> | <u>(148,076)</u> | <u>(3,427)</u> | <u>(144,649)</u> |

20 Capital commitments

All capital commitments of the Partnership have been fully provided for in these accounts.

21 Related party transactions

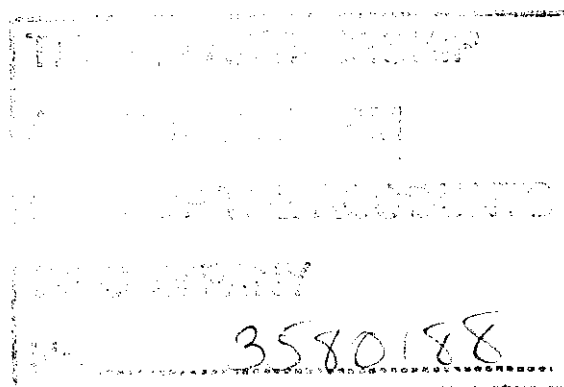
Management fees payable to Capital & Regional Property Management Limited are set out in note 4. No amounts were outstanding at 31 December 2003 or 31 December 2002.

22 Net asset value of Limited Partners

The net asset of each Limited Partner's interest in the Partnership, being the aggregate of the Capital Contributions and Loan Commitments made by each Limited Partner, expressed as a percentage of the total Capital Contributions, Loan Commitments, Revaluation Accounts and Income Accounts of the Partnership, is as follows:

| | Total capital and loan commitment £'000 | Loan Commitment drawn at 31 December 2003 £'000 | Share of Partnership % | Net asset value at 31 December 2003 £'000 | Net asset value at 31 December 2002 £'000 |
|---|--|--|------------------------------|---|---|
| BriTel Fund Trustees Limited | 23,000 | 20,361 | 26.29 | 22,243 | 21,484 |
| Coal Pension Properties Limited | 15,000 | 13,275 | 17.14 | 14,502 | 14,006 |
| Scottish Widows Investment Management Ltd | 15,000 | 13,275 | 17.14 | 14,502 | 14,006 |
| United Friendly Insurance Plc | 15,000 | 13,275 | 17.14 | 14,502 | 14,006 |
| Shell Pensions Trust | 7,500 | 6,637 | 8.57 | 7,251 | 7,003 |
| Sun Life Assurance Company of Canada | 7,000 | 6,196 | 8.00 | 6,769 | 6,537 |
| Capital & Regional Leisure LP Limited | 5,000 | 4,431 | 5.72 | 4,839 | 4,674 |
| | <u>87,500</u> | <u>77,450</u> | <u>100.00</u> | <u>84,608</u> | <u>81,716</u> |

Under the terms of the Partnership Agreement, the Carried Interest Partners are entitled to a Carried Interest in the results of the Partnership as a performance incentive. Limited Partners will receive distributions equivalent to their original Commitments, together with an IRR of 12% per annum over the life of the Partnership, before the Carried Interest becomes due. Thereafter, the Carried Interest Partners will be entitled to 25% of any excess distributions when the IRR of the Partnership is between 12% and 20%. If the Partnership achieves an IRR in excess of 20%, the Carried Interest Partners will be entitled to 35% of any such excess distributions. Any payment to the Carried Interest Partners will be calculated by reference to the IRR achieved over the entire life of the Partnership and will only be made after realisation of Limited Partners' interests in the Partnership. On 17th March 2004 a Deed of Variation was made to the Partnership Agreement which terminated the rights of the Carried Interest Partners to any performance incentives. No performance related payments were made at this time and new management agreements were entered into with the Property and Asset Manager.



X – Leisure Fund II B

Partnership accounts

Registered number LP5856

For the year ended 31 December 2003

Partnership accounts

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Partnership information

| | |
|---|--|
| Partnership number | LP5856 |
| Limited partners | Coal Pension Properties Limited BriTel Fund Trustees Ltd Scottish Widows Investment Management Ltd Shell Pensions Trust Deutsche Bank AG London Capital & Regional (Leisure LP) Ltd |
| General partner | Leisure Parks (General Partner II) Limited |
| Manager | Capital & Regional Property Management Limited |
| Registered office of general partner | 179 Great Portland Street London W1W 5LS |
| Auditors | KPMG LLP 1 Canada Square London E14 5AG |
| Business address | 10 Lower Grosvenor Place London SW1W OEN |

Report of the General Partner Leisure Parks (General Partner II) Limited
For the year ended 31 December 2003

The General Partner presents the financial statements for the year ended 31 December 2003.

The Partnership

The partnership was established on 10 August 1998 and was registered as a Limited Partnership under the Limited Partnerships Act 1907.

Principal activities and review of the business

The partnership continues to hold its investment properties

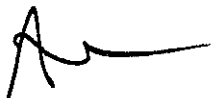
Results and dividends

The profit for the year amounted to £1,203,000.

Auditors

The auditors, KPMG LLP, will be proposed for re-appointment

On behalf of the General Partner



Leisure Parks (General Partner II) Limited



15 December 2004

Statement of general partners' responsibilities

For the year ended 31 December 2003

The General Partner is responsible for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing those financial statements, the General Partner is 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;
- prepare the financial statements on the ongoing basis unless it is inappropriate to presume that the partnership will continue in business.

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the partnership and to enable the General Partner to ensure that the financial statements comply with relevant regulations. The General Partner is also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the independent auditors' to the Partners of X – Leisure Fund II B

We have audited the financial statements on pages 5 to 19.

This report is made solely to the partners, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the partners those matters we have been engaged to state them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partners, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of partners and auditors

The partners are responsible for preparing, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards and the Partnership Agreement dated 10 August 1998. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Partnership Agreement. We also report to you if, in our opinion, the partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted an audit in accordance with the Auditing Standards issues 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 operators in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company 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, 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 the Partnership's affairs as at 31st December 2003 and of its profits for the year then ended and have been properly prepared on the basis of the accounting policies set out in note 1 to the financial statements and in accordance with the Partnership Agreement dated 10 August 1998.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

17 December 2004

Profit and loss account
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--|-------------|--|--|
| Turnover | | 9,349 | 7,414 |
| Cost of sales | | (478) | (382) |
| Gross profit | | 8,871 | 7,032 |
| Administrative expenses | | (892) | (738) |
| Profit on ordinary activities before interest | | 7,979 | 6,294 |
| Interest receivable and similar income | 2 | 26 | 90 |
| Interest payable and similar charges | 3 | (6,802) | (5,514) |
| Profit on ordinary activities before taxation | 4 | 1,203 | 870 |
| Taxation | | - | - |
| Profit for the financial period | | 1,203 | 870 |
| Income distributions | 5 | (1,243) | - |
| Transfer to Limited Partners' income accounts | 14 | (40) | 870 |

Statement of total recognised gains and losses
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|-------------|--|--|
| Profit for the financial period | | 1,203 | 870 |
| Revaluation surplus for the period credited to Limited Partners' revaluation accounts | 13 | 4,100 | 2,312 |
| Total recognised gains and losses for the period | | 5,303 | 3,182 |

All operations of the Partnership are continuing. There is no difference between the results as described in the profit and loss account and the results on an unmodified historical cost basis.

Allocation of total recognised gains and losses
for the year ended 31 December 2003

| | Share of Partnership | Allocation of results for the year ended 31 December 2003 £'000 |
|---|----------------------|--|
| | % | |
| Coal Pension Properties Limited | 28.37 | 1,505 |
| BriTel Fund Trustees Ltd | 25.53 | 1,354 |
| Scottish Widows Investment Management Limited | 21.28 | 1,128 |
| Shell Pensions Trust Limited | 10.64 | 564 |
| Deutsche Bank AG London | 7.09 | 376 |
| Capital & Regional Leisure LP Limited | 7.09 | 376 |
| | <hr/> | <hr/> |
| | 100.00 | 5,303 |
| | <hr/> | <hr/> |

Balance sheet
at 31 December 2003

| | <i>Note</i> | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|-------------|---------------------------------------|------------------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 139,053 | 134,865 |
| Current assets | | | |
| Debtors | 7 | 3,609 | 3,976 |
| Committed cash | 8 | 4,165 | 5,210 |
| Available cash | 8 | (106) | - |
| | | <hr/> | <hr/> |
| | | 7,668 | 9,186 |
| Creditors: amounts falling due within one year | 9 | (6,630) | (13,825) |
| | | <hr/> | <hr/> |
| Net current assets/(liabilities) | | 1,038 | (4,639) |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 140,091 | 130,226 |
| Creditors: amounts falling due after more than one year | 10 | (88,959) | (84,654) |
| | | <hr/> | <hr/> |
| Net assets | | 51,132 | 45,572 |
| | | <hr/> | <hr/> |
| Partners' accounts | | | |
| Partners' capital contribution accounts | 11 | 7 | 7 |
| Limited Partners' loan accounts | 12 | 51,713 | 50,213 |
| Limited Partners' revaluation accounts | 13 | (519) | (4,619) |
| Limited Partners' income accounts | 14 | (69) | (29) |
| | | <hr/> | <hr/> |
| Partners' funds | 22 | 51,132 | 45,572 |
| | | <hr/> | <hr/> |

Reconciliation of movements in Partners' funds
for the year ended 31 December 2003

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--|--|--|
| Opening Partners' funds | 45,572 | 28,979 |
| Profit for the financial period | 1,203 | 870 |
| Income distributions paid and proposed in the period | (1,243) | - |
| Net revaluation surplus on investment properties credited to revaluation reserve | 4,100 | 2,312 |
| United Friendly Insurance Plc partner capital cancelled | - | (2) |
| Limited Partner's loan account net increase during the period | 1,500 | 13,413 |
| Closing Partners' funds | 51,132 | 45,572 |

Cash flow statement
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|-------------|--|--|
| Net cash inflow from operating activities | <i>15</i> | 1,923 | 2,937 |
| Returns on investments and servicing of finance | <i>16</i> | (6,431) | (4,297) |
| Capital expenditure | <i>17</i> | (88) | (18,345) |
| Income distributions paid | <i>5</i> | (1,035) | - |
| | | <hr/> | <hr/> |
| Net cash outflow before financing | | (5,631) | (19,705) |
| Financing | <i>18</i> | 5,525 | 19,705 |
| | | <hr/> | <hr/> |
| Movement in available cash during the period | <i>19</i> | (106) | - |
| | | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2003

| | <i>Note</i> | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|-------------|--|--|
| Movement in available cash during the period | <i>19</i> | (106) | - |
| Increase in loans during the period | <i>18</i> | (4,024) | (6,294) |
| | | <hr/> | <hr/> |
| Increase in net debt during the period | <i>19</i> | (4,129) | (6,294) |
| Opening net debt | <i>19</i> | (85,499) | (79,205) |
| | | <hr/> | <hr/> |
| Closing net debt | <i>19</i> | (89,628) | (85,499) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

Basis of accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of investment properties and in accordance with the Leisure Fund Partnership Agreement dated 10 August 1998 and amended on 7 September 1999. They have also been prepared in accordance with applicable United Kingdom accounting standards, modified by the analysis of cash between committed and available cash.

Cash flow statement

The cash flow statement reconciles movements in cash after deducting committed cash, where committed cash comprises cash set aside to fund trade creditors and interest accrued at the year end which are due for payment shortly thereafter.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual valuation. Aggregate surpluses or deficits arising on valuation are transferred to a revaluation reserve. Permanent diminutions in the value of investment properties to below their carrying values are charged directly to the profit and loss account. Additions include only costs of a capital nature. Interest and other related costs are treated as revenue expenditure and written off as incurred.

In accordance with Statement of Standard Accounting Practice 19, depreciation and amortisation is not provided in respect of freehold investment properties. Leasehold investment properties are not depreciated where the unexpired term is over twenty years.

Developments in progress

Developments in progress are valued at the lower of cost and net realisable value. Completed developments held for their investment potential are transferred at cost to fixed assets and treated as investment properties.

Loan issue costs

In accordance with FRS4 issue costs incurred in obtaining loan finances are amortised over the estimated life of the loan and charged to the profit and loss account as part of the interest expense. Bank loans are disclosed net of unamortised loan issue costs.

Turnover

Turnover represents net rental income receivable by the Partnership from third parties during the period, excluding value added tax.

Taxation

The Partnership is not a taxable entity and accordingly no provision is made in these accounts for taxation.

Operating lease incentives

Rent frees given to tenants are amortised over the earlier of either the period of the lease, or, to when the rent is adjusted to the prevailing market rate, usually the first rent review.

Capital contributions given to tenants are shown as a debtor, and amortised over the earlier of either the period of the lease, or, to when the rent is adjusted to the prevailing market rate, usually the first rent review.

The valuation of the properties is reduced by the unamortised rent incentives and the unamortised capital contributions.

On the disposal of investment properties, the unamortised rent incentives are charged against rental income and the balance of the unamortised capital contributions are charged to the disposal of investment properties.

Notes (continued)

2 Interest receivable and similar income

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--------------------------------------|--|--|
| Interest receivable on bank deposits | 26 | 90 |

3 Interest payable and similar charges

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|--|--|
| Bank interest on loans repayable between one and five years | (6,463) | (5,202) |
| Bank charges and amortised debt issue costs | (339) | (312) |
| | <u>(6,802)</u> | <u>(5,514)</u> |

4 Profit on ordinary activities before taxation

| Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|--|--|
|--|--|

The profit on ordinary activities before taxation, and where appropriate the acquisition cost of the Partnership's freehold and long leasehold properties, are stated after charging:

Management fees payable in accordance with the Partnership agreement:

| | | |
|---|-----|-----|
| Capital & Regional Property Management Limited (as Manager) | 678 | - |
| MWB Fund Management Limited (as Manager) | - | 523 |
| Jones Lang LaSalle Corporate Finance (as Operator) | 50 | 50 |
| Audit fee | 20 | 22 |

Notes (continued)

5 Income distributions

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|--|--|
| Income distribution paid 2 May 2003 | 429 | - |
| Income distribution paid 25 July 2003 | 302 | - |
| Income distribution paid 23 October 2003 | 304 | - |
| Income distribution proposed (paid 17 March 2004) | 208 | - |
| | <hr/> 1,243 <hr/> | <hr/> - <hr/> |

6 Tangible fixed assets

| | Investment properties Freehold properties £'000 | Long leasehold Properties £'000 | 31 December 2003 £'000 |
|-------------------------------------|--|---------------------------------------|------------------------------|
| <i>Cost or valuation</i> | | | |
| At 1 January 2003 | 69,102 | 65,763 | 134,865 |
| Additions/(disposals) in the period | 464 | (376) | 88 |
| Valuation surplus in the period | 1,310 | 2,790 | 4,100 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2003 | 70,876 | 68,177 | 139,053 |
| | <hr/> | <hr/> | <hr/> |

The Partnership's investment properties at 31 December 2003 were valued by DTZ Debenham Tie Leung, qualified external valuers, on a market value basis, at £139.02 million. The valuations were carried out in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

All tangible fixed assets of the Group are located within the United Kingdom.

In accordance with the accounting policy, the Partnership's freehold and long leasehold investment properties totalling £139.1 million (2002: £134.8 million) are not depreciated.

Notes (continued)

6 Tangible fixed assets (continued)

Details of the Partnerships' properties are as follows:

| | Cost | Deficit to 31 December 2002 | Cost or valuation at 31 December 2002 | Additions in year to 31 December 2003 | Valuation surplus in year to 31 December 2003 | Valuation at 31 December 2003 |
|----------------------------|---------|-----------------------------------|--|--|---|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Eureka, Ashford | 20,797 | 803 | 21,600 | (82) | 232 | 21,750 |
| West India Quay | 18,179 | 1,071 | 19,250 | 21 | 729 | 20,000 |
| Grants, Croydon | 39,246 | (2,496) | 36,750 | (108) | 108 | 36,750 |
| Fiveways, Birmingham | 42,757 | (2,757) | 40,000 | (295) | 2,295 | 42,000 |
| Giffnock, Glasgow | 5,633 | (163) | 5,470 | 2 | 28 | 5,500 |
| Derby | 4,772 | (322) | 4,450 | - | 180 | 4,630 |
| St. Albans | 8,100 | 10 | 8,110 | 550 | 310 | 8,970 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 139,484 | (3,854) | 135,630 | 88 | 3,882 | 139,600 |
| Operating lease incentives | - | (765) | (765) | - | 218 | (547) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 139,484 | (4,619) | 134,865 | 88 | 4,100 | 139,053 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The West India Quay property is held by The West India Quay Limited Partnership. X-Leisure Fund IIB has a 50% interest in The West India Quay Limited Partnership.

7 Debtors

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|------------------------------|------------------------------|
| Trade debtors | 1,225 | 1,100 |
| Amounts due from Leisure Parks (General Partner II) Ltd | 1,743 | 2,051 |
| Other debtors | 51 | 17 |
| Unamortised operating lease incentives | 547 | 765 |
| Prepayments and accrued income | 43 | 43 |
| | <hr/> | <hr/> |
| | 3,609 | 3,976 |
| | <hr/> | <hr/> |

Notes (continued)

8 Cash

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|--|------------------------------|------------------------------|
| Committed cash | | |
| Loan repayments and interest payable | 1,400 | 1,366 |
| Trade creditors | 165 | - |
| Tenants deposits | 462 | - |
| VAT due to Customs & Excise | 398 | - |
| Service charge floats and retention accounts | 259 | - |
| For completion of property purchase | 1,481 | 3,844 |
| | <hr/> 4,165 <hr/> | <hr/> 5,210 <hr/> |
| Available cash | <hr/> (106) <hr/> | <hr/> - <hr/> |

9 Creditors: amounts falling due within one year

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|--|------------------------------|------------------------------|
| Trade creditors | 421 | 169 |
| Forward commitments to purchase properties: | | |
| West India Quay (50% interest) | 382 | 380 |
| Eureka Leisure Park Ashford | 187 | 1,308 |
| Giffnock Glasgow | - | 99 |
| St. Albans | 60 | 261 |
| Fiveways, Birmingham | 432 | 1,046 |
| Grants Croydon, development stage payments due | 370 | 1,330 |
| Derby | 50 | 4,770 |
| Other creditors: | | |
| Proposed income distribution | 208 | - |
| Other creditors | 596 | 689 |
| VAT, social security & PAYE | 398 | 363 |
| Accruals | 1,344 | 1,362 |
| Deferred income | 2,182 | 2,048 |
| | <hr/> 6,630 <hr/> | <hr/> 13,825 <hr/> |

The forward commitments will be financed from undrawn committed bank loans, Limited Partners' loans and existing working capital.

Notes (continued)

10 Creditors: amounts falling due after more than one year

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|-------------------------------|------------------------------|------------------------------|
| Bank loans (secured) | 89,524 | 85,499 |
| Less issue costs | (565) | (845) |
| | <u>88,959</u> | <u>84,654</u> |
| Summary of total loans | | |
| | £'000 | £'000 |
| Repayable: | | |
| Between one and two years | 75,524 | - |
| Between two and five years | 14,000 | 85,499 |
| | <u>89,524</u> | <u>85,499</u> |
| Total loans | <u>89,524</u> | <u>85,499</u> |

At 31 December 2003, the Partnership had bank loans due for repayment as follows:

| Property | Term of facility | Interest rate | Due after more than one year £'000 |
|----------------------|------------------|-----------------------|--|
| Eureka, Ashford | February 2006 | 7.28% fixed | 14,000 |
| West India Quay | August 2005 | 8.27% fixed | 11,000 |
| Grants, Croydon | August 2005 | 6.60% fixed | 24,490 |
| Fiveways, Birmingham | June 2005 | 7.31% fixed | 27,808 |
| Giffnock, Glasgow | August 2005 | 7.01% fixed | 4,026 |
| Derby | January 2006 | Libor + 1.2% variable | 2,900 |
| St. Albans | December 2005 | 6.635% fixed | 5,300 |
| | | | <u>89,524</u> |

Notes (continued)

11 Partners' capital contribution accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|------------------------------|------------------------------|
| Capital introduced 7 September 1999 | 9 | 9 |
| United Friendly Insurance Plc partner capital cancelled | (2) | (2) |
| | <u>7</u> | <u>7</u> |

Capital contributions are the amounts specified in Schedule 1 of the Limited Partnership Agreement in respect of Limited Partners, together with the capital contribution of the General Partner as specified in Section 2.2 of the Limited Partnership Agreement.

12 Limited Partners' loan accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|------------------------------|------------------------------|
| Balance at start of year | 50,213 | 36,800 |
| Loans drawn in the year to 31 December 2002 | - | 21,556 |
| Loans drawn 24 April 2003 for Croydon | 1,500 | - |
| United Friendly loan cancelled | - | (8,054) |
| | <u>51,713</u> | <u>50,302</u> |
| Funds drawn 6 August 2002 to repay United Friendly interest | - | 812 |
| Interest actually paid to United Friendly | - | (901) |
| | <u>51,713</u> | <u>50,213</u> |

Limited Partners' loan accounts are the amounts drawn at 31 December 2003 from the Loan Commitments specified in Schedule 1 of the Limited Partnership Agreement.

13 Limited Partners' revaluation accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|------------------------------|------------------------------|
| Balance at start of year | (4,619) | (6,931) |
| Revaluation surplus at 31 December 2003 | 4,100 | 2,312 |
| | <u>(519)</u> | <u>(4,619)</u> |

Notes (continued)

14 Limited partners' income accounts

| | 31 December 2003 £'000 | 31 December 2002 £'000 |
|---|---------------------------------------|------------------------------|
| At start of period | (29) | (899) |
| Transfer from the profit and loss account | (40) | 870 |
| Balance at end of the period | (69) | (29) |

15 Net cash inflow from operating activities

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|---|--|--|
| Operating profit | 7,979 | 6,294 |
| Amortisation of lease incentives | 219 | (316) |
| Decrease/(increase) in debtors and committed cash | 924 | (3,628) |
| (Decrease)/Increase in creditors | (7,199) | 587 |
| | 1,923 | 2,937 |

16 Returns on investments and servicing of finance

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|------------------------------------|--|--|
| Interest and other income received | 26 | 90 |
| Loan arrangement costs | (31) | 36 |
| Interest paid | (6,426) | (4,423) |
| | (6,431) | (4,297) |

17 Capital expenditure

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|-----------------------------------|--|--|
| Purchase of investment properties | 88 | 18,345 |

Notes *(continued)*

18 Financing

| | Year ended 31 December 2003 £'000 | Year ended 31 December 2002 £'000 |
|------------------------------------|--|--|
| Limited Partners' Loan Accounts | 1,500 | 13,413 |
| Limited Partners' Capital Accounts | - | (2) |
| Bank loans | 4,025 | 6,294 |
| | <u>5,525</u> | <u>19,705</u> |

19 Analysis of changes in net debt

| | 31 December 2003 £'000 | Movement during period £'000 | 31 December 2002 £'000 | Movement during year £'000 | 31 December 2001 £'000 |
|---|------------------------------|------------------------------------|------------------------------|----------------------------------|------------------------------|
| Available cash | (106) | (106) | - | - | - |
| Bank loans due within one year | - | - | - | 236 | (236) |
| Bank loans due after more than one year | (89,524) | (4,025) | (85,499) | (6,530) | (78,969) |
| | <u>(89,630)</u> | <u>(4,131)</u> | <u>(85,499)</u> | <u>(6,294)</u> | <u>(79,205)</u> |

20 Capital commitments

All capital commitments of the Partnership have been fully provided for in these accounts.

21 Related party transactions

Management fees payable to Capital & Regional Property Management Limited are set out in note 4.

Notes (continued)

22 Net asset value of Limited Partners

The net asset value of each Limited Partner's interest in the Partnership, being the aggregate of the Capital Contributions and Loan Commitments made by each Limited Partner, expressed as a percentage of the total Capital Contributions, Loan Commitments, Revaluation Accounts and Income Accounts of the Partnership, is as follows:

| | Total capital and loan commitment | Loan Commitment drawn at 31 December 2003 | Share of Partnership | Net asset value at 31 December 2003 | Net asset value at 31 December 2002 |
|---|---|---|-------------------------|--|--|
| | £'000 | £'000 | % | £'000 | £'000 |
| Coal Pension Properties Limited | 20,000 | 14,672 | 28.37 | 14,506 | 12,929 |
| BriTel Fund Trustees Limited | 18,000 | 13,202 | 25.53 | 13,054 | 11,634 |
| Scottish Widows Investment Management Ltd | 15,000 | 11,005 | 21.28 | 10,881 | 9,698 |
| Shell Pensions Trust | 7,500 | 5,502 | 10.64 | 5,441 | 4,849 |
| Deutsche Bank AG London | 5,000 | 3,666 | 7.09 | 3,625 | 3,231 |
| Capital & Regional Leisure LP Limited | 5,000 | 3,666 | 7.09 | 3,625 | 3,231 |
| | <u>70,500</u> | <u>51,713</u> | <u>100.00</u> | <u>51,132</u> | <u>45,572</u> |

Under the terms of the Partnership Agreement, the Carried Interest Partners are entitled to a Carried Interest in the results of the Partnership as a performance incentive. Limited Partners will receive distributions equivalent to their original Commitments, together with an IRR of 12% per annum over the life of the Partnership, before the Carried Interest becomes due. Thereafter, the Carried Interest Partners will be entitled to 25% of any excess distributions when the IRR of the Partnership is between 12% and 20%. If the Partnership achieves an IRR in excess of 20%, the Carried Interest Partners will be entitled to 35% of any such excess distributions. Any payment to the Carried Interest Partners will be calculated by reference to the IRR achieved over the entire life of the Partnership and will only be made after realisation of Limited Partners' interests in the Partnership. On 17th March 2004 a Deed of Variation was made to the Partnership Agreement which terminated the rights of the Carried Interest Partners to any performance incentives. No performance related payments were made at this time and new management agreements were entered into with the Property and Asset Manager.