

Industrious Leasebacks Limited
(formerly Leaseback Limited)

**Directors' report and financial
statements**

Registered number 3677203

30 April 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2003.

Principal activities and business review

The company's principal activity is that of property investment and property management in the United Kingdom.

During the period, the legal structure of the group was revised which resulted in the group's investment property portfolio being transferred from the existing group entities. Following the transfer of these investment properties, the existing group entities, including Industrious Leasebacks Limited, ceased to carry on a business.

The company's results for the year are set out on page 4.

Dividends

The company made a dividend in specie to Industrious Limited, its immediate parent, in the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

RW Carey
IC Melia
JSP Keogan

Directors' interests

The notifiable interests of Messrs RW Carey and IC Melia in group undertakings have been disclosed in the directors' report and financial statements of Industrious Limited, a UK intermediate parent company.

No other director has any beneficial interest in the share capital of group undertakings.

This report was approved by the board of directors on 2 February 2004 and signed on its behalf by:



IC Melia
Director

Cranford House
Kenilworth Road
Leamington Spa
Warwickshire
CV32 6RQ

Statement of 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 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;
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Industrious Leasebacks Limited

We have audited the financial statements on pages 4 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 financial statements give a true and fair view of the state of the company's affairs as at 30 April 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

2 February 2004

Profit and loss account
for the year ended 30 April 2003

	<i>Note</i>	2003 £	2002 £
Turnover	2	541,084	868,000
Cost of sales		(15,350)	(681)
Gross profit		525,734	867,319
Administration expenses		(8,327)	(3,200)
Operating profit		517,407	864,119
Profit on disposal of fixed assets		14,436	-
Profit before interest and taxation		531,843	864,119
Interest receivable and similar income		9,957	216
Profit on ordinary activities before taxation	4	541,800	864,335
Tax on profit on ordinary activities	5	(157,920)	(261,218)
Profit for the financial year		383,880	603,117
Dividend in specie	6	(2,715,379)	-
Retained (loss)/profit for the year	12	(2,331,499)	603,117

The results set out above relate to discontinued businesses.

Balance sheet
at 30 April 2003

	Note	2003	2002
		£	£
Fixed assets			
Investment properties	7	-	9,685,500
Current assets			
Debtors	8	2	25,035
Cash at bank and in hand		998	-
		<u>1,000</u>	<u>25,035</u>
Creditors: amounts falling due within one year	9	-	(7,379,029)
Net current assets/(liabilities)		<u>1,000</u>	<u>(7,353,994)</u>
Total assets less current liabilities		<u>1,000</u>	<u>2,331,506</u>
Provisions for liabilities and charges	10	-	(5)
Net assets		<u>1,000</u>	<u>2,331,501</u>
Capital and reserves			
Called up share capital	11	1,000	2
Revaluation reserve	12	-	1,382,479
Profit and loss account	12	-	949,020
Equity shareholders' funds		<u>1,000</u>	<u>2,331,501</u>

These financial statements were approved by the board of directors on 2 February 2004 and were signed on its behalf by:



IC Melia
Director

Statement of total recognised gains and losses
for the year ended 30 April 2003

	2003 £	2002 £
Profit for the financial year	383,880	603,117
Unrealised surplus on revaluation of properties	-	446,172
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	383,880	1,049,289
	<hr/>	<hr/>

Note of historical cost profits and losses
for the year ended 30 April 2003

	2003 £	2002 £
Reported profit on ordinary activities before taxation	541,800	864,335
Realisation of property revaluation gains of previous years	1,382,479	-
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,924,279	864,335
	<hr/>	<hr/>
Historical cost (loss)/profit for the year retained after taxation and dividends	(949,020)	603,117
	<hr/>	<hr/>

Movement in equity shareholders' funds
for the year ended 30 April 2003

	2003 £	2002 £
Profit for the financial year	383,880	603,117
Dividend in specie	(2,715,379)	-
	<hr/>	<hr/>
	(2,331,499)	603,117
Increase on revaluation reserve	-	446,172
New share capital subscribed	998	-
	<hr/>	<hr/>
Net (reduction in)/addition to shareholders' funds	(2,330,501)	1,049,289
	<hr/>	<hr/>
Equity shareholders' funds brought forward	2,331,501	1,282,212
	<hr/>	<hr/>
Equity shareholders' funds carried forward	1,000	2,331,501
	<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 company's financial statements:

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards using the historic cost convention adjusted by the revaluation of investment properties.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary undertaking of Chamberflame Limited and its results are included in that company's consolidated financial statements.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19, the property valuations have been prepared on the basis of open market value in accordance with the Appraisal and Valuation Manual of the RICS. The valuers have made the normal deductions for hypothetical purchasers' costs in arriving at their valuations. Each property has been valued individually and not as part of a portfolio. No account has been taken of any intercompany leases or arrangements, nor of any mortgages, debentures or other charges, and no allowance has been made for any expenses of realisation, nor for any taxation which might arise in the event of a disposal. The figures also do not reflect any element of special purchaser value following a merger of interests or sale to an owner or occupier of an adjoining property.

The valuations have been prepared on the basis of information provided to the valuers by the company relating to title, tenure, lettings, site and floor areas, planning consents and other relevant information. Valuers were instructed to assume that no deleterious materials or techniques had been used in the construction of any of the buildings and not to carry out structural surveys. The valuers were also instructed to assume that, unless informed to the contrary, the properties are not, or likely to be, affected by land contamination and have assumed that the cost of any decontamination work would be immaterial unless advised to the contrary. In addition, the valuers have assumed that there are no ground conditions which would affect the present or future uses of the properties.

All surpluses and deficits arising on valuation are taken directly to revaluation reserve, except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with more than 20 years to expiry. This treatment as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment properties under development are stated at the lower of cost to the company and open market valuation unless pre-let. Where pre-let, investment properties under development are stated at open market valuation.

Acquisitions and disposals of investment properties

Acquisitions and disposals of investment properties are accounted for when an unconditional contract has been exchanged.

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except that deferred tax may not be recognised on any potential capital gain where a binding sale commitment is not in place.

The company allocates the tax charge arising on the sale of investment properties on a pro-rata basis between the gain previously recognised in the revaluation reserve and the further gain or loss arising on the sale in the profit and loss account.

Related party disclosures

Under FRS8, the company is exempt from the requirement to disclose transactions with other group undertakings on the grounds that it is a subsidiary of Chamberflame Limited and its results are included in that company's consolidated financial statements.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from gross rent receivable from investment properties. The directors are of the opinion that there is only one class of business and one market, which is the United Kingdom.

3 Staff numbers and costs

No persons other than the directors, were employed by the company (2002: Nil) and no staff costs or directors' emoluments were incurred (2002: £Nil).

4 Profit on ordinary activities before taxation

The audit fees in the years ended 30 April 2003 and 30 April 2002 were paid by Industrious Limited (formerly Saville Gordon Estates plc), a fellow group undertaking.

5 Tax on profit on ordinary activities

(a) Charge for the year

	2003 £	2002 £
Current tax		
UK corporation tax	157,920	261,215
Total current tax	157,920	261,215
Deferred tax		
Origination and reversal of timing differences	-	3
Total deferred tax	-	3
Tax on profit on ordinary activities	157,920	261,218

Notes (continued)

5 Tax on profit on ordinary activities (continued)

(b) Factors affecting the charge for the year

The tax assessed for the year is lower (2002: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	541,800	864,335
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	162,540	259,301
Expenses not deductible for tax purposes	249	1,914
Non-taxable profit on disposal of fixed assets	(4,331)	-
Other	(538)	-
Adjustments re previous periods	-	-
Current tax charge for the year	157,920	261,215

6 Dividends

	2003 £	2002 £
Dividend in specie	2,715,379	-

7 Investment properties

	Freehold land and buildings £
Valuation	
At 1 May 2002	9,685,500
Additions	1,221
Disposals to group undertakings	(9,686,721)
At 30 April 2003	-

The disposals to group undertakings include properties which were originally contributed to Jersey Limited Partnerships the interests in which were subsequently disposed of by the company to fellow UK incorporated group undertakings.

The amount of freehold land and buildings determined according to the historical cost accounting rules is as follows:

	£
Cost and net book value	
At 30 April 2003	-
At 30 April 2002	8,303,021

Notes (continued)

8 Debtors

	2003 £	2002 £
Amounts owed by group undertakings	2	25,035
	<u>2</u>	<u>25,035</u>

9 Creditors: Amounts falling due within one year

	2003 £	2002 £
Trade creditors	-	5,048
Amounts owed to group undertakings	-	6,952,761
Mainstream corporation tax	-	245,647
Other taxes and social security	-	37,223
Accruals and deferred income	-	138,350
	<u>-</u>	<u>7,379,029</u>
	<u>-</u>	<u>7,379,029</u>

10 Provisions for liabilities and charges

The movement in the provision for deferred taxation during the year is as follows:

	Deferred taxation £
At 1 May 2002	5
Transferred to fellow subsidiary undertaking	(5)
	<u>-</u>
At 30 April 2003	<u>-</u>

The amounts of deferred taxation, provided and unprovided comprise:

	2003		2002
	Provided £	Unprovided £	Provided £
Latent capital gains	-	-	303,372
Short term timing differences	-	-	5
	<u>-</u>	<u>-</u>	<u>303,372</u>
	<u>-</u>	<u>-</u>	<u>303,372</u>

The unprovided latent capital gains represent the resultant estimated capital gains tax if the group's properties were sold for their book value at the balance sheet date.

Notes (continued)

11 Share capital

	2003 £	2002 £
<i>Authorised:</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid:</i>		
1,000 ordinary shares of £1 each (2002: 2 ordinary shares of £1 each)	1,000	2

On 9 January 2003, the issued share capital of the company was increased to £1,000 by the creation of 998 ordinary shares of £1 each, which were issued at par.

12 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 May 2002	1,382,479	949,020
Transfer arising from realised profits	(1,382,479)	1,382,479
Retained loss for the financial year	-	(2,331,499)
At 30 April 2003	-	-

13 Contingent liabilities

The company's assets are charged under a debenture and the company has given unlimited guarantees as security in respect of the bank loans and overdrafts of its ultimate parent company and certain fellow subsidiary undertakings.

As part of this arrangement, Lloyds TSB Bank Plc holds an omnibus letter of set-off relating to the company, its parent company and certain fellow subsidiary undertakings.

The contingent liabilities under all these arrangements at 30 April 2003 amounted to £Nil (2002: £18,499,227).

14 Ultimate parent company

The company's ultimate parent company at 30 April 2002 was Industrious Limited (formerly Saville Gordon Estates plc), which is incorporated in Great Britain. On 2 July 2002, Chambercroft Limited's offer for Saville Gordon Estates plc became wholly unconditional. Chambercroft Limited is a wholly owned subsidiary of Chamberflame Limited, the group's UK ultimate parent company. Both Chambercroft Limited and Chamberflame Limited are incorporated in Great Britain. This UK group structure remains in place at 30 April 2003.

As at 30 April 2003, the directors consider Morgan Stanley Real Estate Fund IV, a discretionary real estate private investment opportunity fund sponsored by a member of the Morgan Stanley Group, to be the ultimate controlling party by virtue of its shareholding in Industrious Holdings (Jersey) Limited, incorporated in Jersey, of whom Chamberflame Limited is a wholly owned subsidiary.

The results of the company are consolidated in the UK group headed by Chamberflame Limited. The consolidated financial statements of this company are available to the public and can be obtained from Cranford House, Kenilworth Road, Leamington Spa, Warwickshire CV32 6RQ.