

ALCOBENDAS ENTRUST LIMITED

(Company Registration Number: 3835752)

Report and Accounts 31 December 2002



ALCOBENDAS ENTRUST LIMITED

REPORT AND ACCOUNTS 2002

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ALCOBENDAS ENTRUST LIMITED

BOARD OF DIRECTORS

J R A Bury

N C Varnham

Company Secretary

Henderson Secretarial Services Limited

Registered Office

4 Broadgate
London
EC2M 2DA

Company Registration No: 3835752

Auditors

Ernst & Young LLP

1 More London Place
London
SE1 2AF

ALCOBENDAS ENTRUST LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and Accounts of Alcobendas Entrust Limited for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is property development in Spain. The Company has established a branch in Madrid, Spain. The Company disposed of its property investment in December 2003, and intend to close the branch in Madrid.

BUSINESS REVIEW

Details of the results for the year are set out in the Company accounts and the related notes on pages 6 to 11.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2001: £nil).

DIRECTORS AND THEIR INTERESTS

The Directors of the Company are set out on page 2, all of whom held office throughout the period.

During the year none of the Directors had any interests in the shares or debentures of the Company or any other group Company, which require to be disclosed under the Companies Act 1985.

PAYMENT OF SUPPLIERS

The Group's policy is to pay its suppliers by the due date specific to each transaction. The annualised average number of days credit, based on the aggregate of trade creditors at the end of the year and the aggregate amounts invoiced by trade creditors during the year ended 31 December 2002, was 36 days (2001: 32 days).

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office and a resolution that they will be re-appointed at a fee fixed by the directors will be proposed at the Annual General Meeting.

By order of the Board of Directors.



S J Whiteside
For and on behalf of
Henderson Secretarial Services Limited, Secretary

30 January 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Directors are required by UK Company Law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 December 2002. The Directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Company and 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.

ALCOBENDAS ENTRUST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCOBENDAS ENTRUST LIMITED

We have audited the Company's accounts for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These accounts have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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.

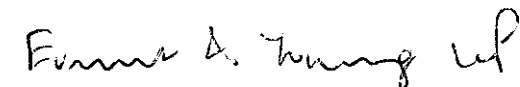
BASIS OF AUDIT OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered auditor
London

30 January 2004

ALCOBENDAS ENTRUST LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	2002 £	2001 £
Revenue	2	3,154,569	932,726
Operating expenses	5	(2,117,073)	(3,826,135)
Operating profit/(loss)		<u>1,037,496</u>	<u>(2,893,409)</u>
Interest receivable		11,186	12,154
Interest payable	6	(1,264,986)	(2,096,689)
Retained loss for the financial year		<u>(216,304)</u>	<u>(4,977,944)</u>

All activities relate to continuing operations

The accompanying notes are an integral part of this profit and loss account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

	2002 £	2001 £
Loss for the financial year	(216,304)	(4,977,944)
Surplus on revaluation of assets	10,521,711	-
Total recognised gains and losses relating to the year	<u>10,305,407</u>	<u>(4,977,944)</u>

The accompanying notes are an integral part of this statement of total recognised gains and losses.

ALCOBENDAS ENTRUST LIMITED

BALANCE SHEET 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Investments	7	37,753,317	25,530,893
Current assets			
Debtors	8	385,548	1,916,871
Cash at bank and in hand	9	2,873,988	1,135,557
		<u>3,259,536</u>	<u>3,052,428</u>
Creditors: Amounts falling due within one year	10	29,051,419	26,977,161
Net current liabilities		<u>(25,791,883)</u>	<u>(23,924,733)</u>
Total assets less current liabilities		<u>11,961,434</u>	<u>1,606,160</u>
Creditors: Amounts falling due in more than one year	11	523,365	473,498
		<u>11,438,069</u>	<u>1,132,662</u>
Capital and reserves			
Called up share capital	12	5,927,104	5,927,104
Profit and loss account	13	(5,010,746)	(4,794,442)
Revaluation reserve	13	10,521,711	-
Total shareholders' funds attributable to equity interests		<u>11,438,069</u>	<u>1,132,662</u>

The accompanying notes are an integral part of this balance sheet.

The accounts were approved by the Board of Directors and signed on its behalf by:

NE Varnham

N C Varnham
Director

30 January 2004

ALCOBENDAS ENTRUST LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. *Basis of accounting*

The accounts have been prepared on the historical cost basis of accounting, as modified by revaluation of certain fixed asset investments and in accordance with applicable UK accounting standards.

ii. *Foreign currencies*

The assets, liabilities and results for the period denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences arising are charged/credited to the profit and loss account.

iii. *Investment properties*

Investment properties are shown at their open market value based on annual valuation. For the year ended 31 December 2002 the property has been revalued for the accounts by DTZ Debenham Tie Leung (Chartered Surveyors).

iv. *Depreciation- Land and Buildings*

No depreciation will be provided in respect of investment properties. This departure from the requirements of the Companies Act 1985, for all properties to be depreciated, is, in the opinion of the Directors, necessary for the financial statements to give true and fair view in accordance with applicable accounting standards, as properties are to be included in the financial statements at their open market value.

v. *Depreciation- Other Fixed assets*

Depreciation is provided on other fixed assets so as to write off the cost less residual value of each asset on a straight line basis over the anticipated useful life.

	Depreciation %
Facilities	2-12
Fixtures and fittings	10
Computer Equipment	25
Motor Vehicles	8
Other tangible assets	20

2. REVENUE

Revenue, which is stated net of value added tax, arises predominantly from rental income and other sundry income from other services and comprises the following

	2002 £	2001 £
Rental Income	3,135,913	699,890
Income from other services	18,656	232,836
	<u>3,154,569</u>	<u>932,726</u>

3. OPERATING PROFIT

Operating profit is stated after crediting exchange gains on foreign currency of £2,159,248 (2001: £865,071 loss)

The auditors' remuneration has been met in full by a fellow subsidiary.

ALCOBENDAS ENTRUST LIMITED

NOTES TO THE ACCOUNTS (continued)

4. DIRECTORS' EMOLUMENTS

The Directors of the Company have employment contracts with Henderson Administration Limited. They received no remuneration for their services to Alcobendas Entrust Limited.

The remuneration of N C Varnham is disclosed in the accounts of AMP Buchanan plc.

The remuneration of J R A Bury is disclosed in the accounts of Pearl (Alcobendas) Limited.

5. OPERATING EXPENSES

Included within operating expenses is £1,481,033 compensation expenditure payable to the tenants (2001: £1,570,605), incurred due to the delayed opening of an investment property.

6. INTEREST PAYABLE

	2002 £	2001 £
Interest on short term debt	1,264,986	2,096,689

7. INVESTMENTS

	Land and Buildings £	Other Fixed Assets £	Total £
Cost			
At 1 January 2002	25,687,969	-	25,687,969
Reclassify as other fixed assets	(2,432,140)	2,432,140	-
Additions	406,028	53,668	459,696
Foreign exchange gain on investment property	1,593,443	179,466	1,772,909
At 31 December 2002	25,255,300	2,665,274	27,920,574
Depreciation			
At 1 January 2002	157,076	-	157,076
Reclassify as other fixed assets	(157,076)	157,076	-
Charge for the year	-	531,892	531,892
At 31 December 2002	-	688,968	688,968
Unrealised gain			
At 1 January 2002	-	-	-
Gain in year	10,521,711	-	10,521,711
At 31 December 2002	10,521,711	-	10,521,711
Net book value			
At 31 December 2002	35,777,011	1,976,306	37,753,317
At 1 January 2002	25,530,893	-	25,530,893

Fixtures and fittings previously classified within Buildings were identified after completion of the development stage. These assets are depreciated over their useful lives on a straight line basis.

ALCOBENDAS ENTRUST LIMITED

NOTES TO THE ACCOUNTS (continued)

8. DEBTORS

	2002 £	2001 £
Trade debtors	344,565	744,058
VAT	2,326	967,413
Other debtors	38,657	205,400
	<u>385,548</u>	<u>1,916,871</u>

9. CASH AT BANK AND IN HAND

	2002 £	2001 £
Long term deposit	387,227	214,270
Cash at bank	2,486,761	921,287
	<u>2,873,988</u>	<u>1,135,557</u>

Long term deposit held by the Spanish government is a legal requirement under Spanish Law.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	551,848	1,756,785
Amounts owed to group companies	28,350,184	24,664,818
Other taxation and social security costs	123,334	83,209
Other creditors	26,053	472,349
	<u>29,051,419</u>	<u>26,977,161</u>

The 'Amounts owed to group companies' balance of £28,350,184 consists of a loan balance of £24,988,509 and accumulated interest of £3,361,675 and has been drawn down from a total secured loan of £25,312,000 plus accrued interest from Pearl Assurance Plc at LIBOR plus 0.5% repayable on 30 days notice or by 23 December 2009.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Deposits and guarantees	<u>523,365</u>	<u>473,498</u>

12. SHARE CAPITAL

	2002 £	2001 £
Authorised ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>5,927,104</u>	<u>5,927,104</u>

ALCOBENDAS ENTRUST LIMITED

NOTES TO THE ACCOUNTS (continued)

13. RESERVES

	Share capital	Profit & loss account	Revaluation reserve	Total share- holders funds
	£	£	£	£
At 1 January 2002	5,927,104	(4,794,442)	-	1,132,662
Revaluation in year	-	-	10,521,711	10,521,711
(Loss) for the year	-	(216,304)	-	(216,304)
At 31 December 2002	<u>5,927,104</u>	<u>(5,010,746)</u>	<u>10,521,711</u>	<u>11,438,069</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	(216,304)	(4,977,944)
Surplus on revaluation of assets	10,521,711	-
Net increase/(decrease) to shareholders' funds	<u>10,305,407</u>	<u>(4,977,944)</u>
Opening shareholders' funds	1,132,662	6,110,606
Closing shareholders' funds	<u>11,438,069</u>	<u>1,132,662</u>

15. RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures', relating to transactions between 90 per cent or more controlled subsidiaries, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

16. PARENT UNDERTAKING

The Company's immediate parent undertaking is Pearl (Alcobendas) Limited. The parent undertaking of the smallest group for which group accounts are prepared is AMP (UK) plc.

The ultimate parent undertaking and controlling party is AMP Limited, a company incorporated in New South Wales, Australia. The address from which copies of the accounts of AMP Limited can be obtained is AMP Building, GPO Box 4134, Sydney Cove, New South Wales, Sydney, Australia.

17. CASHFLOW STATEMENT

The Company has taken advantage of the exemption provided in FRS 1 (revised 1996) 'Cash Flow Statements' to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, by not preparing a cash flow statement. Details of the ultimate holding Company are provided in note 16 to the accounts.

18. POST BALANCE SHEET EVENTS

Since the balance sheet date, the company has disposed of the principal investment asset for €63.25 million.