

Hines Air Property Limited

Abbreviated Financial Statements

31 December 2003

 ERNST & YOUNG



Directors

S O'Donnell
N Cummings
P Lewis
J Dipple
M Topham

Secretary

Abogado Nominees Limited

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

NatWest Bank PLC
Sloane Square Branch
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London SW1W 8AZ

Solicitors

Herbert Smith
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Registered Office

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London EC4 6JA

Independent auditors' report

to the members of Hines Air Property Limited under section 247B of the Companies Act 1985

We have examined the company's abbreviated financial statements for the year ended 31 December 2003 which comprise the Balance Sheet and the related notes 1 to 6 which have been prepared in accordance with applicable United Kingdom law, together with the company's financial statements for the year ended 31 December 2003 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company pursuant to section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state 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, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

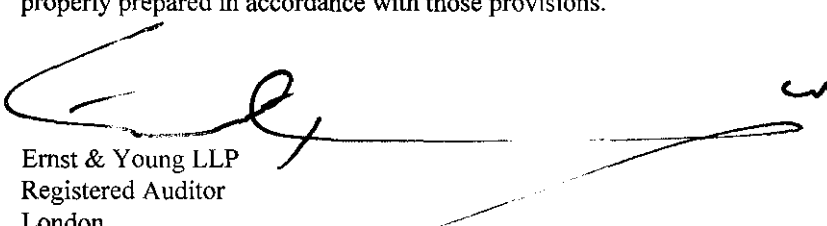
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of audit opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and 246(6) of the Companies Act 1985, and the abbreviated financial statements are properly prepared in accordance with those provisions.



Ernst & Young LLP
Registered Auditor
London

30 JUN 2004

Abbreviated balance sheet

at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	2	1,332	2,839
		<u>1,332</u>	<u>2,839</u>
Current assets			
Debtors		100,882	407,065
Cash at bank and in hand		127,948	121,628
		<u>228,830</u>	<u>528,693</u>
Creditors: amounts falling due within one year		<u>(128,083)</u>	<u>(136,501)</u>
Net current assets		<u>100,747</u>	<u>392,192</u>
Total assets less current liabilities		<u>102,079</u>	<u>395,031</u>
Creditors: amounts falling due after more than one year	3	(3,424,100)	(2,372,033)
		<u>(3,322,021)</u>	<u>(1,977,002)</u>
Capital and reserves			
Called up share capital	4	100	100
Profit and loss account		(3,322,121)	(1,977,102)
		<u>(3,322,021)</u>	<u>(1,977,002)</u>
Equity shareholders' deficit		<u>(3,322,021)</u>	<u>(1,977,002)</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Director

Steven O'Connell 30.6.04

Notes to the abbreviated financial statements

at 31 December 2003

1. Accounting policies

Basis of preparation

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention.

Fixed assets

Tangible fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment.

Turnover

Turnover, which is stated net of value added tax and charges between group companies, represents the invoiced value of goods and services provided.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Computer equipment – 3 years

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. All differences are taken to the profit and loss account.

Statement of cash flow

Under the provisions of Financial Reporting Standard No. 1 (Revised), the company has not prepared a statement of cash flow because it qualifies as a small company as defined by statute and has taken advantage of the exemption afforded by sections 246 and 249 of the Companies Act 1985.

Notes to the abbreviated financial statements

at 31 December 2003

2. Tangible fixed assets

	<i>Fixtures, fittings and equipment £</i>
Cost:	
At 1 January 2003	10,298
Additions	—
Disposals	—
At 31 December 2003	10,298
Depreciation:	
At 1 January 2003	7,459
Provided during the year	1,507
At 31 December 2003	8,966
Net book value:	
At 31 December 2003	1,332
At 1 January 2003	2,839

3. Creditors: amounts falling due after more than one year

	<i>2003 £</i>	<i>2002 £</i>
Amounts due in more than 2 years but less than 5 years:		
Amounts owed to group companies	3,424,100	2,372,033

The amounts owed to group undertakings are repayable on demand. This amount has been classified as creditors due in greater than one year as repayment of this balance is not expected to occur within 12 months.

4. Share capital

	<i>2003 £</i>	<i>2002 £</i>
<i>Authorised, allotted called-up and fully paid</i>		
Ordinary shares of £1 each	100	100

Notes to the abbreviated financial statements

at 31 December 2003

5. Going concern

The company is in a net liability position. The directors have considered the forecast future operations of the company and the relationship with the ultimate holding company which has agreed to provide continuing financial support, and have concluded that the company will have adequate resources to continue in business for the foreseeable future, being at least 12 months from the date of approval of these accounts. Accordingly, the going concern basis of accounting has been adopted.

6. Parent undertaking and controlling party

The company's immediate parent entity is Hines GB Holdings LLC, a company incorporated in the United States of America.

The company's ultimate parent is Hines International Real Estate Holdings Limited Partnership, a partnership registered in the United States of America. The largest and smallest group in which the results of the company are consolidated is that headed by Hines International Real Estate Holdings Limited Partnership, the accounts of which are not available to the public.