

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

SAC GP LIMITED

FOR THE YEAR ENDED 31 MARCH 2004

Registered No 3934576



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SAC GP LIMITED**COMPANY INFORMATION**

REGISTERED NUMBER 3934576

DIRECTORS

Frederick David Richard Coupe (resigned 9 July 2004)

Andrew John Martin

Andrew Dewhirst

Elizabeth Adams

Louise Cleary (appointed 9 July 2004)

SECRETARY

Simon A F Bailey (appointed 30 April 2003) - (resigned 26 January 2005)

Hermes Secretariat Limited (appointed 26 January 2005)

AUDITORS

PricewaterhouseCoopers LLP

Southwark Towers

32 London Bridge Street

London

SE1 9SY

COMPANY ADDRESS

Lloyds Chambers

1 Portsoken Street

London

E1 8HZ

SAC GP LIMITED**Directors' Report for the year ended 31 March 2004**

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Activities

The company is entitled to the first available profits of The Tower Hill Retail Limited Partnership which is engaged in the business of commercial property development and investment. The profit share of the company is limited to a maximum of £5,000 per annum.

During the year the company has acted solely as the General Partner of The Tower Hill Retail Limited Partnership and under the terms of the partnership agreement, dated 4 July 2000, all the costs incurred in acting as the General Partner are to be met by the partnership. These costs have been reflected within the partnership accounts.

Results

The company received no income and incurred no costs during the year.

Dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who served on the Board during the year were as follows:

Frederick David Richard Coupe (resigned 9 July 2004)
Andrew John Martin
Andrew Dewhirst
Elizabeth Adams.

None of the directors held any beneficial or family interest in the company during the year.

No director was paid a fee for their services during the year (2003: nil).

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



Hermes Secretariat Limited
Secretary

28 January 2005

SAC GP LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the company's state of affairs as at the end of the financial year and of the profit or loss of the company for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them on a consistent basis;
- make judgements and estimates that are prudent and reasonable;
- confirm that 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 not appropriate to presume 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 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.

SAC GP LIMITED**Independent auditors' report to the members of SAC GP Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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.

SAC GP LIMITED**Independent auditors' report to the members of SAC GP Limited (continued)****Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 January

2005

SAC GP LIMITED**BALANCE SHEET AS AT 31 MARCH 2004**

		31 March 2004 £	31 March 2003 £
	Note		
FIXED ASSETS			
Investment	3	<u>1</u>	<u>1</u>
CURRENT ASSETS			
Debtors	4	500	500
CREDITORS - amounts falling due within one year	3	<u>(1)</u>	<u>(1)</u>
NET ASSETS		<u>500</u>	<u>500</u>
CAPITAL AND RESERVES			
Call up share capital	4	500	500
Reserves		-	-
EQUITY SHAREHOLDERS' FUNDS		<u>500</u>	<u>500</u>

Approved by the board on 28 January 2005
and signed on its behalf by:



A D DEWHIRST
Director

SAC GP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

2. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

All operating costs of the company are incurred and paid on its behalf by the Tower Hill Retail Limited Partnership, including the audit fee of £1,500. The company received no income nor paid any expenses for the year and accordingly no profit and loss account has been prepared.

3. INVESTMENTS

The company has an investment in the Tower Hill Retail Limited Partnership of £1. To date this amount remains unpaid.

4. SHARE CAPITAL

	2004 £	2003 £
Authorised:		
Ordinary "A" Shares of £1 each	500	500
Ordinary "B" Shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
Allocated and issued:		
Ordinary "A" Shares of £1 each – nil paid	250	250
Ordinary "B" Shares of £1 each – nil paid	250	250
	<u>500</u>	<u>500</u>

The issued share capital has not been paid up.

THE TOWER HILL RETAIL LIMITED PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

Registered No: LP6986

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 3934576

The Tower Hill Retail Limited Partnership

Partnership Information

General Partner

SAC GP Limited
Lloyds Chambers
1 Portsoken Street
London E1 8HZ

393-4000

Operator

Hermes Investment Management Limited
Lloyds Chambers
1 Portsoken Street
London E1 8HZ

Independent Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Solicitors

S J Berwin & Co
222 Gray's Inn Road
London
WC1X 8HB

The Tower Hill Retail Limited Partnership

General Partner's Report For the Year Ended 31 March 2004

The Tower Hill Retail Limited Partnership is regulated by a partnership agreement dated 4 July 2000.

The objective of the partnership is to carry on the business of acquiring, developing, holding, managing and investing in commercial properties in the United Kingdom, with a view to maximising the total investment returns from such properties.

The General Partner presents its report and the audited financial statements for the year ending 31 March 2004

Structure of the Partnership

The capital of the partnership has been provided by the partners in the following amounts:

General Partner

SAC GP Limited	£1
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Limited Partners

Britel Fund Trustees Limited	£2,441
Hermes Property Unit Trust	£2,440

Under the terms of the partnership agreement, the General Partner is entitled to receive a profit share of up to £5,000 per annum. Thereafter, the profit share of the partnership is split equally between the Limited Partners. Under the partnership agreement, only income arising from the operation or disposal of investment properties is treated as distributable profits.

Activities

The principal activity of the partnership is to acquire, develop, hold, manage and otherwise deal with commercial property with a view to maximising the total investment return from the properties.

Results

The results for the year are set out in the profit and loss account on page 5.

Duration

The partnership will continue in force until 4 July 2005. This is subject to (a) dissolution, insolvency or liquidation of the General Partner; (b) the agreement of the General Partner and the Limited Partners to terminate the Partnership, (c) the Partnership having completed the disposal of all its right, title and interest in the Properties owned at the time and the General Partner providing confirmation that no further Properties will be acquired on behalf of the Partnership, (d) one or more non-affected parties holding Agreed Proportions representing in aggregate 20% of the Agreed Proportions, after the occurrence of an Event of Default, serve notice that they wish to terminate the Partnership, (e) the Chelmsford Property Development Agreement failing to become unconditional in all respects by the cut off date.

At any time prior to termination the partnership can be extended by such period as is agreed by all the Partners in writing. If the Partnership would otherwise be terminated, the Partnership may be reconstituted and its business continued if the Limited Partners elect to continue the Partnership and appoint a new general partner.

The Tower Hill Retail Limited Partnership

General Partner's Report (Cont'd)

Investment Properties

The partnership currently holds assets that are properties held for for investment purposes.

Independent Auditors

Following the conversion of our auditors, PricewaterhouseCoopers, into a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 22 January 2004 and the General Partner appointed its successor, PricewaterhouseCoopers LLP, as auditors.

Statement of the General Partner's and Operator's Responsibilities


Statement of the General Partner's and Operator's Responsibilities

The partnership agreement dated 4 July 2000, which constitutes the partnership, requires the General Partner to procure the preparation of the financial statements for each period. The partnership agreement requires the General Partner to prepare financial statements for each financial year that 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. The General Partner is required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the partnership will continue in business.

The General Partner confirms that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2004 and that applicable accounting standards have been followed.

The General Partner is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that the financial statements comply with the Partnership Agreement. They are 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.

On behalf of the Partnership:



A D DEWHIRST

Director of SAC GP Limited as General Partner

28 January 2005

The Tower Hill Retail Limited Partnership

Independent auditors' report of the members of The Tower Hill Retail Limited Partnership

We have audited the financial statements which comprise the profit and loss account, the statement of total gains and losses, the balance sheet and the related notes.

Respective responsibilities of the General Partner and auditors

It is the responsibility of SAC GP Limited, the General partner appointed by the partnership for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards as set out in the statement of partners' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the partnership's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 Partnerships and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the partners' report is not consistent with the financial statements, if the partnership 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 is not disclosed.

We read the other information in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the partners' report.

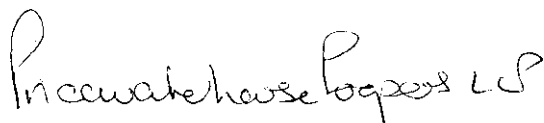
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes the 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 General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the partnership'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 fairly state the partnership's affairs as at 31 March 2004 and its profit for the year then ended and have been properly prepared in accordance with the Partnership Agreement.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 January 2005

The Tower Hill Retail Limited Partnership

Profit and Loss Account

For the year to 31 March 2004

	Notes	Year to 31 March 2004 £	Year to 31 March 2003 £
Rental income		3,461,224	3,445,047
Net property costs	2	2,166	(30,374)
Operating profit		<u>3,463,390</u>	<u>3,414,673</u>
Administrative expenses		(76,241)	(188,165)
Profit on ordinary activities before interest	3	<u>3,387,149</u>	<u>3,226,508</u>
Interest receivable		26,888	19,105
Profit on ordinary activities		<u>3,414,037</u>	<u>3,245,613</u>
Distribution payable to General Partner	7	-	-
Distributions paid and payable to Limited Partners	7	(3,414,037)	(3,245,613)
Retained profit for the year		<u><u>-</u></u>	<u><u>-</u></u>

There is no difference between profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

Statement of Total Recognised Gains and Losses

	Notes	Year to 31 March 2004 £	Year to 31 March 2003 £
Profit on ordinary activities		3,414,037	3,245,613
Net unrealised surplus on revaluation of properties		6,062,500	4,201,551
Total gains during the year		<u><u>9,476,537</u></u>	<u><u>7,447,164</u></u>

The Tower Hill Retail Limited Partnership

Balance Sheet as at 31 March 2004

		31 March 2004		31 March 2003	
	Notes	£	£	£	£
Fixed Assets					
Investment property	4		60,350,000		54,290,000
Current Assets					
VAT recoverable			-	38,048	
Debtors	5	550,180		593,789	
Cash at bank		710,895		50,149	
		<u>1,261,075</u>		<u>681,986</u>	
Creditors due within one year	6	<u>(2,494,608)</u>		<u>(1,918,018)</u>	
Net Current Assets			(1,233,533)		(1,236,032)
Total Assets less Current Liabilities			<u>59,116,467</u>		<u>53,053,968</u>
Capital and Reserves					
Partnership capital	7		4,882		4,882
Partner loans	7		48,321,623		48,321,623
Income accounts	7		-		-
Revaluation reserve	7		10,789,962		4,727,463
			<u>59,116,467</u>		<u>53,053,968</u>

The financial statements were approved by the Board of Directors of SAC GP Limited, the

General Partner, on *28th January* 2005 and were signed on its behalf by:



E ADAMS
Director

The Tower Hill Retail Limited Partnership

Cashflow Statement

For the year to 31 March 2004

	Notes	Year to 31 March 2004 £	Year to 31 March 2003 £
Net cash inflow from operating activities	8	3,580,847	2,587,624
Returns on investments and servicing of finance			
Interest received		26,888	19,105
		<u>3,607,735</u>	<u>2,606,729</u>
Capital expenditure and financial investment			
Purchase of properties and capital additions		(78,376)	(1,371,173)
Distributions paid		(2,868,613)	(2,596,678)
Net cash outflow before financing		660,746	(1,361,121)
Financing			
Capital contributions		-	-
Partners' loan drawdowns		-	1,084,858
Increase/(Decrease) in cash representing net funds carried forward		<u>660,746</u>	<u>(276,263)</u>

The Tower Hill Retail Limited Partnership

Notes to the Financial Statements For the year to 31 March 2004

1 Accounting Policies

Accounting Convention

The accounts have been prepared on the historical cost basis in accordance with the partnership agreement as modified by the revaluation of properties as described below.

Turnover

Turnover represents property rental income, accrued to 31 March 2004.

Interest

No interest is payable in respect of any credit balance on the Partners' loan accounts. Bank interest receivable and payable is accrued to 31 March 2004.

Investments

Completed investment properties are valued on an open market basis at the balance sheet date. The aggregate surplus or temporary deficit below cost arising from such valuations is transferred to the revaluation reserve. Deficits that are expected to be permanent are charged to the profit and loss account.

Investment properties under development and land are included in the balance sheet at the lower of cost or net realisable value.

A property ceases to be treated as being under development when substantially all activities that are necessary to get the property ready for use are complete.

Purchases and Sales

Purchases are recognised on unconditional exchange. Sales are recognised upon legal completion.

Partnership set up costs

Partnership set up costs are charged to the profit and loss account.

2 Net property costs

	2004 £	2003 £
Service charge expenses	153,359	75,130
Service charge recoveries	(155,525)	(44,756)
	<u>(2,166)</u>	<u>30,374</u>

3 Profit on ordinary activities for the year

This is stated after charging the following administrative expenses:

	2004 £	2003 £
Auditors' remuneration for audit services	13,500	13,000
Operator's fee	30,000	30,000

There were no employees during the year (2003 - nil).

The Tower Hill Retail Limited Partnership

**Notes to the Financial Statements
For the year to 31 March 2004**

4 Investment Property

	2004 £	2003 £
As at start of year		
Cost	49,562,538	38,828,771
Revaluation	4,727,462	796,229
	<u>54,290,000</u>	<u>39,625,000</u>
During the year		
Additions/Acquisitions	(2,500)	87,375
Revaluation (deficit)/surplus	6,062,500	3,931,233
Transfer from Development Property	-	10,646,392
	<u>6,060,000</u>	<u>14,665,000</u>
As at end of year		
Cost	49,560,038	49,562,538
Revaluation	10,789,962	4,727,462
	<u>60,350,000</u>	<u>54,290,000</u>

Completed investment properties were valued as at 31 March 2004 by Knight Frank, Chartered Surveyors on the basis of open market value.

The valuation has been prepared in accordance with the appraisal and valuation manual published by the Royal Institute of Chartered Surveyors.

5 Debtors

	2004 £	2003 £
Unpaid share capital	1	1
Rent receivable	505,652	555,324
Service charge float	20,000	20,000
Service charge debtor	24,527	18,464
Prepayments	-	-
	<u>550,180</u>	<u>593,789</u>

6 Creditors: amounts falling due within one year

	2004 £	2003 £
Rents received in advance	-	2,443
Service charge creditor	49,167	51,965
Audit creditor	25,000	11,500
Sundry creditors	18,014	64,612
VAT payable	150,380	-
	<u>242,561</u>	<u>130,520</u>
Capital accruals	471,402	552,277
Distribution payable	1,780,645	1,235,221
	<u>2,494,608</u>	<u>1,918,018</u>

The Tower Hill Retail Limited Partnership

Notes to the Financial Statements
For the year to 31 March 2004

7 Partners' Accounts

	General Partner	Limited Partners		Total
	SAC GP Ltd £	Hermes Property Unit Trust £	Britel Fund Trustees Ltd £	£
Capital Accounts				
Balance at 1 April 2003	1	2,440	2,441	4,882
Contributions during the year	-	-	-	-
Balance at 31 March 2004	1	2,440	2,441	4,882
Loan Accounts				
Balance at 1 April 2003	-	24,160,812	24,160,811	48,321,623
Advanced during the year	-	-	-	-
Balance at 31 March 2004	-	24,160,812	24,160,811	48,321,623
Income Accounts				
Balance at 1 April 2003	-	-	-	-
Profit for the year	-	1,707,019	1,707,019	3,414,037
Distribution paid	-	(816,696)	(816,697)	(1,633,393)
Distribution payable	-	(890,323)	(890,322)	(1,780,645)
Balance at 31 March 2004	-	-	-	-
Revaluation Reserve				
Balance at 1 April 2003	-	2,363,731	2,363,731	4,727,462
Revaluation surplus for the year	-	3,031,250	3,031,250	6,062,500
Balance at 31 March 2004	-	5,394,981	5,394,981	10,789,962

The loans are interest free. They are repayable at the latest on the termination of the partnership or at such dates following completion of disposal of any properties in such proportions as to retain the loan share. If a is repaid it is not then available for subsequent drawdowns unless it is repayment of a drawdown for a partn expense not subsequently requiring satisfaction.

The Tower Hill Retail Limited Partnership

Notes to the Financial Statements
For the year to 31 March 2004

8 Reconciliation of operating profit to operating cash flows

	2004 £	2003 £
Operating profit	3,387,149	3,226,508
Decrease in debtors and VAT recoverable	81,657	214,879
Increase/(decrease) in creditors (excluding capital accruals and distributions)	112,041	(853,763)
Net cash inflow from operating activities	<u>3,580,847</u>	<u>2,587,624</u>