

BANKSIDE DEVELOPMENTS LIMITED

Financial Statements

**For the year ended
31 December 2002**



BANKSIDE DEVELOPMENTS LIMITED

Annual report and financial statements for the year ended 31 December 2002

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Directors

J.C. Dodwell
P.F. Gray

Secretary

J. Dodwell
J. Culver

Company Number

4111631

Auditors and Registered Office

BDO Stoy Hayward
Emerald House
East Street
Epsom
Surrey
KT17 1HS

BANKSIDE DEVELOPMENTS LIMITED

DIRECTORS' REPORT

Year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of residential property development. The company owns one site in Hopton Street, London. Planning permission for the site was initially refused by the Local Planning Authority. Upon appeal, planning permission was granted but, on July 18, 2003, representatives of local residents (known as BROAD) lodged a claim in the High Court against the First Secretary of State (dealing with the Planning Inspectorate), claiming that there had been certain procedural deficiencies in the way in which the inspector had conducted the enquiry. Leading counsel's opinion is that this claim is without foundation.

RESULTS

Details of the results for the year are shown in the profit and loss account and the related notes.

DIRECTORS

The directors who served during the year together with their beneficial interests in the shares of the company are as follows:

	On 31 December 2002	On 1 January 2002
J A Buchanan (resigned 27 May 2003)	-	-
P F Gray	-	-
J C Dodwell (appointed 27 May 2003)	-	-
N. Miggiani (appointed 27 May 2003) (resigned 8 August 2003)	-	-
N. Misfud (appointed 27 May 2003) (resigned 8 August 2003)	-	-

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 of the company for that year. In preparing those financial statements the directors confirm that they have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on the 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 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 steps for the prevention and detection of fraud and other irregularities.

BANKSIDE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 December 2002

AUDITORS

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



J.C. DODWELL

Secretary

Date:

30 / 9 / 2003

BANKSIDE DEVELOPMENTS LIMITED

REPORT OF THE AUDITORS

To the members of Bankside Developments Limited

We have audited the financial statements of Bankside Developments Limited for the year ended 31 December 2002 on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and 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.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 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.

BANKSIDE DEVELOPMENTS LIMITED

REPORT OF THE AUDITORS (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 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD

Chartered Accountants and Registered Auditors

EPSOM

Date: *3 October 2003*

BANKSIDE DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2002**

	Note	Year ended 31 December 2002	Period ended 31 December 2001 £
TURNOVER	2	-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Administration expenses		(12,127)	(21,252)
OPERATING LOSS	4	(12,127)	(21,252)
Interest receivable		-	3,414
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(12,127)	(17,838)
Retained loss brought forward		(17,838)	-
RETAINED LOSS CARRIED FORWARD		(29,965)	(17,838)

All recognised gains and losses are included in the profit and loss account.

All amounts relate to continuing activities.

The notes on pages 7 to 10 form part of these financial statements.

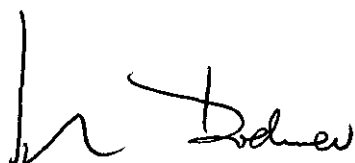
BANKSIDE DEVELOPMENTS LIMITED**BALANCE SHEET**

As at 31 December 2002

	Note	2002 £	2001 £
CURRENT ASSETS			
Work in progress	6	12,847,338	10,073,817
Debtors	7	1,618,601	1,174,503
Cash at bank and in hand		83,193	714,312
		<u>14,549,132</u>	<u>11,962,632</u>
CREDITORS: amounts falling due within one year	8	(14,576,597)	(11,977,970)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(27,465)</u>	<u>(15,338)</u>
CAPITAL AND RESERVES			
Called up share capital	9	2,500	2,500
Profit and loss account		(29,965)	(17,838)
DEFICIT ON EQUITY SHAREHOLDERS' FUNDS		<u>(27,465)</u>	<u>(15,338)</u>

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

These financial statements were approved by the board and signed on its behalf by:

**J.C. DODWELL**

Director

Date of approval: 30 / 9 / 2003

The notes on pages 7 to 10 form part of these financial statements.

BANKSIDE DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

Year ended 31 December 2002

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention.

Going concern

The company is dependent on the continuing support of its controlling party, London Town plc. (See notes 8 and 14).

The following accounting policies have been applied:

Turnover

Turnover represents income receivable from residential property development. Turnover is recognised on completion of the sale of properties.

Work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost is based on the cost of sites acquired, materials used and labour, including finance costs in respect of specific borrowings. Contracts relating to the purchase or sale of properties are dealt with in the accounts of the period in which the contracts are completed. Net realisable value is based on the expected value of the company's development with planning permission.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

2 TURNOVER

Turnover is wholly attributable to the company's principal activity, arising solely within the United Kingdom.

3 DIRECTORS

The directors received no remuneration during the year.
Excluding the directors there were no employees during the year.

4 OPERATING LOSS

	2002	2001
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	1,800	1,750

BANKSIDE DEVELOPMENTS LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2002****5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2002	2001
	£	£
Bank loan interest	101,805	34,231
Other loan interest	2,396,191	1,050,000
Less: transferred to work in progress	(2,497,996)	(1,084,231)
	<u>-</u>	<u>-</u>

As at 31 December 2002 £3,582,227 (2001:£1,084,231) of interest is carried in work in progress.

6 WORK IN PROGRESS

	2002	2001
	£	£
Work in progress	12,847,388	10,073,817
	<u>12,847,388</u>	<u>10,073,817</u>

7 DEBTORS**Amounts receivable within one year:**

	2002	2001
	£	£
Other debtors	9,775	5,298
Prepayments and accrued income	1,608,826	1,169,205
	<u>1,618,601</u>	<u>1,174,503</u>

BANKSIDE DEVELOPMENTS LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2002****8 CREDITORS**

Amounts falling due within one year:	2002 £	2001 £
Bank overdraft	22,376	-
Bank loan	1,750,000	1,750,000
Other loans	10,800,000	9,000,000
Amounts due to associated companies	1,936,463	1,139,997
Trade creditors	35,158	32,673
Accruals and deferred income	32,600	55,300
	<u>14,576,597</u>	<u>11,977,970</u>

The bank loan and other loans are secured and are repayable in instalments. The other loan is payable to London Town plc and has been refinanced since the year-end (see note 14). London Town plc will not request repayment of remaining current balances until the company has sufficient funds to enable it to make such repayments.

9 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
At 1 January 2002 and 31 December 2002		
Ordinary shares of £1 each (authorised: 2,500: issued 2,500)	<u>2,500</u>	<u>2,500</u>

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 December 2002 £	Period ended 31 December 2001 £
Opening equity shareholders' funds	(15,338)	-
Loss for the period	(12,127)	(17,838)
Shares issued on incorporation	-	2
New shares issued during the year/period	-	2,498
Deficit on closing equity shareholders' funds	<u>(27,465)</u>	<u>(15,338)</u>

BANKSIDE DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2002

11. CASH FLOW STATEMENT

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements, (revised 1996)" not to prepare a cash flow statement, as the directors believe the company is "small" under the Companies Act 1985.

12. ULTIMATE CONTROLLING PARTY

During 2002 the directors considered the ultimate controlling party of the company to be London Town plc by virtue of its management control and influence over the strategic decisions made by the company during the year. London Town held 5% of the ordinary shares of the company, until 12th August, 2003. As from that date London Town plc holds 100% of the ordinary shares of the company.

13. RELATED PARTY TRANSACTIONS

Included in amounts due to associated companies is £47,500 (2001:£47,500) of 15% unsecured loan stock held by London Town plc, a shareholder of the company and accrued interest of £1,646,191 (2001:£1,050,000) and finance charges of £42,497 (2001:£42,497).

The other loan for £10,800,000 (2001:£9,000,000) is also due to London Town plc and represents the maximum amount outstanding in the year.

Additionally, £200,275 (2001: £nil) is included in amounts due to associates and is due to London Town plc in connection with working capital provided to the company in the year.

14. POST BALANCE SHEET EVENTS

In April 2003, the loan from London Town plc was refinanced by the issue at £13,592,420 of a 24 month deep discounted bond by the Company to London Town plc redeemable at £18,079,399. The interest rate is 40% below that previously prevailing on the loan.