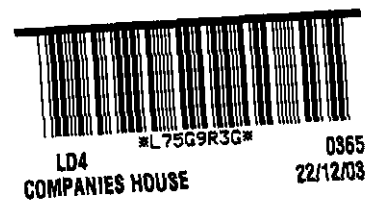


**PEABODY SHIELD HOUSE (UK) NO.2 LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

Company Registration No. 04131241 (England and Wales)



# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## COMPANY INFORMATION

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**Directors**

T E Quinn  
J W O'Connor  
G J Dienst

**Secretary**

G J Dienst

**Company number**

04131241

**Registered office**

1 Hans Street  
London  
SW1X 0JD

**Auditors**

Deloitte & Touche LLP  
London

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# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## CONTENTS

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	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 10

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# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

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The directors present their report and financial statements for the year ended 31 December 2002.

### Principal activities and results

The principal activity of the company is to act as one of the General Partners to the Peabody Shield House Limited Partnership. The company's results for the year are set out in the profit and loss account on page 4 and relate to their share of the results of the Limited Partnership. No dividend is recommended (2001 - nil).

### Directors

The following directors have held office since 1 January 2002:

T E Quinn  
J W O'Connor  
G J Dienst

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary share of £ 1 each	
	31 December 2002	1 January 2002
T E Quinn	-	-
J W O'Connor	-	-
G J Dienst	-	-

The Directors have no interests in any other UK group companies.

### Directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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; and
- 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

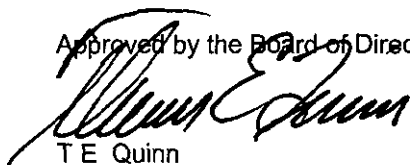
## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

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### Auditors

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

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



T E Quinn

Director

4 December 2003

# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

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We have audited the financial statements of Peabody Shield House (UK) No.2 Limited for the year ended 31 December 2002, which comprise the profit and loss account, balance sheet and related notes numbered 1 to 11. These financial statements have been prepared under 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 the directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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.

#### **Basis of audit opinion**

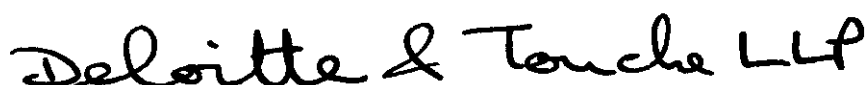
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

#### **Opinion**

These financial statements have been prepared under the accounting policies set out therein and the Financial Reporting Standard for Smaller Entities (effective June 2002).

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 results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

4 December 2003

# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

		Year ended 31 December 2002 £	Period ended 31 December 2001 £
Notes			
	Other operating income/(loss)	(19)	(3)
		<hr/>	<hr/>
	<b>Loss on ordinary activities before taxation</b>	(19)	(3)
	Tax on loss on ordinary activities	-	-
		<hr/>	<hr/>
	<b>Loss on ordinary activities after taxation</b>	(19)	(3)
		<hr/>	<hr/>

All amounts derive from continuing operations.

There are no recognised gains or losses other than the loss disclosed in the profit and loss account for the current period or the previous period.

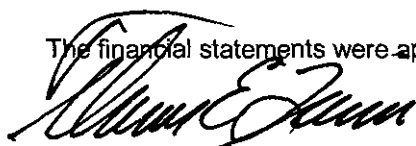
# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £	£	2001 £	£
<b>Fixed assets</b>					
Investments	4		1		1
<b>Current assets</b>					
Debtors	5	-		12	
Creditors: amounts falling due within one year	6	(22)		(15)	
<b>Net current liabilities</b>			(22)		(3)
<b>Total assets less current liabilities</b>			(21)		(2)
<b>Capital and reserves</b>					
Called up share capital	7		1		1
Profit and loss account	8		(22)		(3)
<b>Equity shareholders' funds</b>			(21)		(2)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board of Directors and signed on behalf of the Board.



T E Quinn  
Director

4 December 2003



# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and have been applied consistently in the current and prior year.

#### 1.2 Going concern

The Company has net liabilities of £20. The Directors have considered the future prospects of the Company and concluded that it is appropriate to prepare the financial statements on a going concern basis.

#### 1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

### 2 Operating loss

	2002	2001
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	-	-

The audit fee was paid by another group entity in the current and prior year.

The company has no employees (2001 - nil) and the Directors received no emoluments in connection with their services to this company in the current or prior year.

### 3 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

### 4 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 January 2002 & at 31 December 2002	1

The company has a 0.001% share in the Peabody Shield House Limited Partnership (see note 11).

### 5 Debtors

	2002	2001
	£	£
Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	12

# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

6	Creditors: amounts falling due within one year	2002 £	2001 £
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	22	15

7	Called up share capital	2002 £	2001 £
	<b>Authorised</b>		
	1,000 Ordinary shares of £1 each	1,000	1,000
	<b>Allotted, called up and fully paid</b>		
	1 Ordinary share of £ 1 each	1	1

8	Statement of movements on profit and loss account	Profit and loss account £
	Balance at 1 January 2002	(3)
	Retained loss for the period	(19)
	Balance at 31 December 2002	(22)

### 9 Ultimate parent company

The immediate and ultimate parent and controlling party is Peabody International Real Estate Partners LP, an entity registered in the USA, in whose accounts the results of the company are included. This is the smallest and largest entity within which the results of the company are included.

Peabody International Real Estate Partners LP prepare group financial statements and copies can be obtained from 25th Floor, 399 Park Avenue, New York, NY 10022, USA.

### 10 Related party transactions

Peabody Shield House (UK) No.2 Limited and Peabody Shield House (UK) No.1 Limited, both general partners in Peabody Shield House Limited Partnership, have provided the partnership's lenders with a fixed and floating charge on all its assets by way of a debenture.

# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

### 11 Peabody Shield House Limited Partnership ("the Limited Partnership")

This note discloses the results and financial position of the Peabody Shield House Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

Peabody Shield House (UK) No.2 Limited holds 0.001% of Peabody Shield House Limited Partnership. It also has 50% control of this partnership, with the other 50% of control held by Peabody Shield House (UK) No.1 Limited. Therefore the Limited Partnership, which is a UK Qualifying Partnership, is a joint venture, whose business is that of property investment.

Set out below are the profit and loss account, balance sheet and cash flow statement for the Limited Partnership for the year ended 31 December 2002.

#### a) Profit and loss account for the year ended 31 December 2002

	2002 £	2001 £
<b>Turnover</b>		
Rental income	55,250	165,750
Administrative expenses	(253,739)	-
Exceptional item - lease buy out cost	(1,200,000)	-
<b>Operating (loss)/profit</b>	<u>(1,398,489)</u>	<u>165,750</u>
Interest receivable	-	-
Interest payable	(472,312)	(423,139)
<b>Retained loss for the period</b>	<u><u>(1,870,801)</u></u>	<u><u>(257,389)</u></u>

# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

### 11 Peabody Shield House Limited Partnership ("the Limited Partnership") continued

#### b) Balance sheet as at 31 December 2002

	2002 £	2001 £
<b>Fixed assets</b>		
Investment properties	8,425,978	8,425,978
<b>Current assets</b>		
Debtors	21,818	1,003
Cash at bank	913	110,500
	22,731	111,503
<b>Creditors:</b> (amounts falling due within one year)	(1,068,585)	(367,889)
<b>Net current liabilities</b>	(1,045,854)	(256,386)
<b>Total assets less current liabilities</b>	7,380,124	8,169,592
<b>Creditors:</b> (amounts falling due after one year)	(7,961,333)	(6,880,000)
<b>Net (liabilities)/assets</b>	(581,209)	1,289,592
<b>Represented by:</b>		
Limited partners' capital contribution	1,003	1,003
Limited partners' equity loans	1,545,978	1,545,978
Partners' capital accounts	1,546,981	1,546,981
Partners' current accounts	(2,128,190)	(257,389)
<b>Partners' Funds</b>	(581,209)	1,289,592

# PEABODY SHIELD HOUSE (UK) NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

### 11 Peabody Shield House Limited Partnership ("the Limited Partnership") continued

#### c) Cashflow statement for the year ended 31 December 2002

	2002 £	2001 £
<b>Net cash inflow from operating activities</b>	<u>397,392</u>	<u>532,636</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	-	-
Interest paid	(472,312)	(423,139)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(472,312)</u>	<u>(423,139)</u>
<b>Capital expenditure and financial investment</b>		
Acquisition of properties	-	(8,425,978)
<b>Net cash outflow before management of liquid resources and financing</b>	<u>(74,920)</u>	<u>(8,316,481)</u>
<b>Management of liquid resources and financing</b>		
Capital introduced by Partners	-	1,546,981
Issue of new loans	-	6,880,000
Loan repayments made in the year	(34,667)	-
<b>Net cash (outflow)/inflow from financing</b>	<u>(34,667)</u>	<u>8,426,981</u>
<b>(Decrease)/increase in net cash</b>	<u>(109,587)</u>	<u>110,500</u>