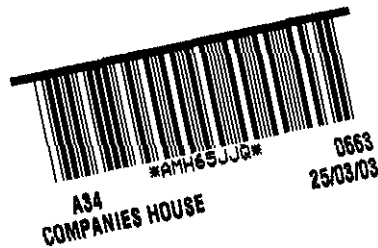


PENTAGON RETAIL LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2002



Horwath Clark Whitehill

Horwath Clark Whitehill
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PENTAGON RETAIL LIMITED
REGISTERED OFFICE AND ADVISORS

REGISTERED OFFICE:	5 Wigmore Street London W1U 1PB
AUDITORS:	Horwath Clark Whitehill 25 New Street Square London EC4A 3LN
BANKERS:	Bank of Scotland The Mound Edinburgh EH1 1YZ Allied Irish Bank City Office Harborne Birmingham
MANAGING AGENTS:	Phoenix Beard St James House 17 Horse Fair Birmingham B1 1DB
ASSET MANAGERS:	Catalyst Capital LLP 5 Wigmore Street London W1U 1PB

PENTAGON RETAIL LIMITED
DIRECTORS' REPORT
PERIOD ENDED 31 MARCH 2002

The directors submit their report and the audited financial statements for the period ended 31 March 2002. The company was incorporated on 16 July 2001 as Dunwilco (939) Limited and on 18 October 2002, the company changed its name to Pentagon Retail Limited. The company commenced activities on 21 December 2001.

PRINCIPAL ACTIVITY

The principal activity of the company is the rental of investment properties.

RESULTS AND DIVIDENDS

The results of the company for the period under review are set out in detail on page 5. The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the period the company purchased five commercial investment properties.

DIRECTORS

The directors who served during the period were as follows:

P Bradley	(appointed 22 January 2002)
P Cummings	(appointed 17 December 2001)
P Kasch	(appointed 17 December 2001)
D Kerr	(appointed 17 December 2001, resigned 22 January 2002)
J McMahon	(appointed 17 December 2001)
N Tribe	(appointed 17 December 2001)

D.W. Director 1 Limited (appointed 16 July 2001, resigned 17 December 2001)

D.W. Director 2 Limited (appointed 16 July 2001, resigned 17 December 2001)

The directors' interests in the shares of the ultimate parent undertaking are disclosed in that company's financial statements, where appropriate.

POST BALANCE SHEET EVENTS

See note 16 for details of significant post balance sheet events.

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



PENTAGON RETAIL LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL
STATEMENTS

The purpose of this statement is to distinguish the directors' responsibilities for the financial statements from those of the auditors as stated in their report.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the group's state of affairs at the end of the year and of its profit or loss for the 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The directors are responsible for ensuring that the directors' report and information included in the annual report is prepared in accordance with company law in the United Kingdom.

Horwath Clark Whitehill

AUDITORS' REPORT TO THE SHAREHOLDERS OF PENTAGON RETAIL LIMITED

Horwath Clark Whitehill
Chartered Accountants
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We have audited the financial statements of Pentagon Retail Limited for the period ended 31 March 2002 set out on pages 5 to 13. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 opinion 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

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 judgments 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.

Unqualified 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 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

Chartered Accountants
and Registered Auditors

20 March 2003

PENTAGON RETAIL LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31 MARCH 2002

	Notes	2002 £
TURNOVER	1(b)	3,197,465
Cost of Sales		<u>(450,829)</u>
GROSS PROFIT		2,746,636
Administrative expenses		<u>(38,100)</u>
OPERATING PROFIT	2	2,708,536
Other interest receivable and similar income		11,226
Interest payable and similar charges	3	<u>(2,110,013)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		609,749
Tax on profit on ordinary activities	4	<u>(182,925)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u>426,824</u>

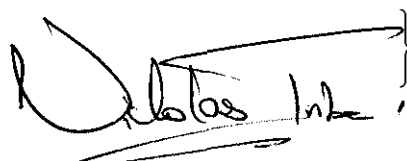
The company had no recognised gains or losses for the period other than the retained profit detailed above. The retained profit for the period and the shares issued in the period (as detailed in note 10) represent the only movements in shareholders' funds during the period.

The notes on pages 8 to 13 form part of these financial statements.

PENTAGON RETAIL LIMITED
BALANCE SHEET
31 MARCH 2002

	Notes	2002 £
FIXED ASSETS		
Tangible assets	6	134,702,247
Investment in subsidiary undertakings	5	196,000
		<u>134,898,247</u>
CURRENT ASSETS		
Debtors	7	3,155,405
Cash in hand		4,029,858
		<u>7,185,263</u>
CREDITORS: amounts falling due within one year	8	<u>(6,123,761)</u>
NET CURRENT ASSETS		<u>1,061,502</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		135,959,749
CREDITORS: amounts falling due after more than one year	9	(121,550,000)
PROVISIONS FOR LIABILITIES AND CHARGES	4	<u>(182,925)</u>
NET ASSETS		<u>14,226,824</u>
CAPITAL AND RESERVES		
Called up share capital	10	13,800,000
Profit and loss account		426,824
SHAREHOLDERS' FUNDS		<u>14,226,824</u>

Approved by the Board on 20 March 2003
and signed on its behalf:

 Director

The notes on pages 8 to 13 form part of these financial statements.

PENTAGON RETAIL LIMITED
CASH FLOW STATEMENT
PERIOD ENDED 31 MARCH 2002

	Notes	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	11	<u>4,114,500</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		11,226
Interest paid		<u>(673,621)</u>
		<u>(662,395)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of investment properties		<u>(134,702,247)</u>
ACQUISITIONS AND DISPOSALS		
Purchase of investment in subsidiary undertaking		<u>(70,000)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(131,320,142)</u>
FINANCING		
Issue of ordinary share capital		13,800,000
Bank loan		<u>121,550,000</u>
		<u>135,350,000</u>
INCREASE IN CASH	12	<u>4,029,858</u>

The notes on pages 8 to 13 form part of these financial statements.

PENTAGON RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 MARCH 2002

1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared under the historic cost convention, subject to the revaluation of investment properties, and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing group financial statements conferred by section 248 of the Companies Act 1985, thus the financial statements present information about the company only and not of its group.

b) Turnover

Turnover principally represents the aggregate of amounts earned for the rental of properties in the ordinary course of business, net of value added tax.

c) Investment properties

Investment properties are valued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. Where a deficit, in excess of the amount previously transferred to the revaluation reserve, is regarded as being a permanent diminution the amount is charged immediately to the profit and loss account. No depreciation is provided in respect of investment properties. This constitutes a departure from the statutory rules requiring fixed assets to be depreciated over their economic useful lives and is necessary to enable the financial statements to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

d) Deferred Taxation

Full provision is made, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts. Deferred tax is measured on a non-discounted basis.

e) Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

f) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

PENTAGON RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
PERIOD ENDED 31 MARCH 2002

2. OPERATING PROFIT	2002
	£
Operating profit is arrived at after charging:	
Auditors' remuneration - audit fees	30,000
Operating lease rentals - land and buildings	<u>210,704</u>
3. INTEREST PAYABLE	
Bank loans and overdrafts	<u>2,110,013</u>
4. TAX ON PROFIT ON ORDINARY ACTIVITIES	
Corporation tax (see a below)	-
Deferred tax (see b below)	<u>182,925</u>
	<u>182,925</u>
(a) Factors affecting the tax charge for the period	
The corporation tax charge for the period is lower than the standard rate of corporation tax (30%). The differences are explained below:	
Profit on ordinary activities before taxation	<u>609,749</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax	182,925
Capital allowances in excess of depreciation	(332,991)
Losses carried forward	<u>150,066</u>
	<u>-</u>
(b) Deferred tax	
The deferred tax charge for the period (and closing provision) is analysed as follows:	
Capital allowances in excess of depreciation	332,991
Losses carried forward	<u>(150,066)</u>
	<u>182,925</u>

PENTAGON RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
PERIOD ENDED 31 MARCH 2002

5. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	£
Cost	
Additions and at 31 March 2002	<u>196,000</u>
Net book value:	
At 31 March 2002	<u>196,000</u>

At 31 March 2002 the company had the following subsidiaries all of which are wholly owned. All the shares held are Ordinary £1 shares.

Quail (Wigan) Limited
 Quail (Galleries) Limited
 Quail (County Square) Limited
 Quail (Ashford) Limited
 Quail (The Pavements) Limited
 Quail (Chesterfield) Limited
 Quail (Wellingborough) Limited
 Quail (Swansgate) Limited
 Dunwilco (940) Limited
 Quail (Millburngate) Limited
 Quail (Durham) Limited
 Transon Holdings Limited (incorporated in the British Virgin Islands)

6. TANGIBLE FIXED ASSETS

	Investment Properties £
Cost/valuation	
Additions	<u>134,702,247</u>
At 31 March 2002	<u>134,702,247</u>
Net Book Value	
At 31 March 2002	<u>134,702,247</u>

The company's investment properties were valued at open market value at 31 March 2002 by the directors and the carrying value of the investment properties detailed above reflects that valuation.

7. DEBTORS

	2002 £
Trade debtors	1,149,215
Amounts owed by group undertakings	122,315
Other debtors	146,875
Prepayments and accrued income	<u>1,737,000</u>
	<u>3,155,405</u>

PENTAGON RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
PERIOD ENDED 31 MARCH 2002

8. CREDITORS:	2002
Amounts falling due within one year	£
Other taxes and social security	225,645
Other creditors	1,425,335
Accruals and deferred income	4,472,781
	<u>6,123,761</u>

9. CREDITORS:	
amounts falling due after more than one year	
Bank loans	<u>121,550,000</u>

The bank loans balance constitutes three LIBOR term loans which are repayable in full on or before 21 December 2006. The loan agreement provide that if any of the company's properties are sold the net sale proceeds should be allocated against the outstanding loan balance.

All the bank loans accrue interest at LIBOR plus 1.25%.

The company has entered into a fixed interest rate swap on 23 January 2002 whereby interest on £99,111,111 has been fixed at 4.97%. The swap is for the period from 23 January 2002 to 21 October 2004 and the notional amount swapped reduces over that time. The notional amounts outstanding under the swap at future year ends are as follows:-

	31 March
	£
2002	99,111,111
2003	49,955,556
2004	48,711,111

The bank loans are secured by a debenture which includes:-

- (a) A first legal mortgage over the legal and/or beneficial interest of the company in its investment properties.
- (b) A first fixed charge over all present and future estates or interests in any freehold or leasehold property or any other tangible assets, bank balances or investments now or in the future belonging to the company.
- (c) A floating charge over all other assets of the company.

PENTAGON RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
PERIOD ENDED 31 MARCH 2002

10. CALLED UP SHARE CAPITAL 2002
£

Authorised, allotted, called up and fully paid	
6,550,000 Ordinary 'A' shares of £1 each	6,550,000
6,550,000 Ordinary 'B' shares of £1 each	6,550,000
700,000 Ordinary 'C' shares of £1 each	<u>700,000</u>
	<u>13,800,000</u>

During the year 13,800,000 ordinary £1 shares were allotted at par for cash. The rights of the ordinary 'A' 'B' and 'C' shares are identical.

11 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £
Operating profit	2,708,536
Increase in debtors	(3,155,405)
Increase in creditors	<u>4,561,369</u>
	<u>4,114,500</u>

12. RECONCILIATION OF NET CASH INCREASE TO MOVEMENT ON NET DEBT

	£
Increase in cash in the period	4,029,858
Movement in debt in period	<u>(121,550,000)</u>
Net debt at 31 March 2002	<u>(117,520,142)</u>

13. ANALYSIS OF NET DEBT

	Cash flow £	At 31 March 2002 £
Cash at bank in hand	4,029,858	4,029,858
Long term loan	<u>(121,550,000)</u>	<u>(121,550,000)</u>
	<u>(117,520,142)</u>	<u>(117,520,142)</u>

PENTAGON RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
PERIOD ENDED 31 MARCH 2002

14. RELATED PARTIES

P Kasch and N Tribe are members of Catalyst Capital LLP ('Catalyst'). Catalyst holds all the 'B' shares in the company's ultimate parent undertaking. During the period the company was charged £110,510 in asset management fees by Catalyst. At the period end no balance was outstanding with Catalyst.

P Bradley and D Kerr are directors of Uberior Investments plc ('Uberior'), a subsidiary undertaking of the Bank of Scotland. Uberior holds all of the 'A' shares in the ultimate parent undertaking.

During the period the company was charged the following by the Bank of Scotland Limited:

- a) A bank loan facility arrangement fee of £1,601,280. This amount is included in prepayments and is being written off over the life of the loan.
- b) Management fees of £3,750.
- c) Other bank charges of £150.

In addition all amounts disclosed elsewhere in the accounts which relate to bank interest and balances are in respect of the Bank of Scotland.

15. OPERATING LEASE COMMITMENTS

The company has annual commitments of £788,879 on non-cancellable land and buildings operating leases which expire over 5 years from the balance sheet date. This represents the head rent to the freeholders of three long leasehold properties included within investment properties.

16. POST BALANCE SHEET EVENTS

On 12 July 2002 one of the company's five investment properties was sold for £44.5m. The property concerned had a carrying value of £39,000,000 at 31 March 2002. As a consequence of the sale £38,800,000 of the bank loans outstanding at the year-end became payable on that date.

18. ULTIMATE PARENT UNDERTAKING

The directors consider Continental Shelf 224 Limited to be the ultimate parent undertaking.