

REGISTRARS COPY

COMPANY NUMBER 4265097

Sackville Property Investments Limited

Report and Financial Statements

Year Ended

31 March 2004



IBDO
BDO Stoy Hayward
Chartered Accountants

Sackville Property Investments Limited

Annual report and financial statements for the year ended 31 March 2004

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Directors

R J Madejski OBE DL (executive chairman)
M E Bracken
J F Hickie
J P Homan
N Howe
I M Wood-Smith

Secretary and registered office

I M Wood-Smith, 5th Floor, Broughton House, 6-8 Sackville Street, London, W1S 3DG

Company number

4265097

Auditors

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road Bromley, Kent, BR1 3WA

Sackville Property Investments Limited

Report of the directors for the year ended 31 March 2004

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

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity during the year was property development.

The directors consider the results for the year to be satisfactory and intend for the company to continue in the principal activity for the foreseeable future.

Directors

The directors of the company during the year were:

R J Madejski OBE DL (executive chairman)
M E Bracken
J F Hickie
J P Homan
N Howe
I M Wood-Smith

No director had any beneficial interest in the issued share capital of the company.

The directors' interests in the share capital of the ultimate parent company, Sackville Properties plc, are disclosed in the financial statements of that company

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 are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

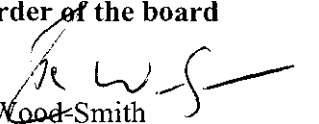
Sackville Property Investments Limited

Report of the directors for the year ended 31 March 2004 (*Continued*)

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the board


I M Wood-Smith

Secretary

Date: 14 July 2004

Sackville Property Investments Limited

Report of the independent auditors

To the shareholders of Sackville Property Investments Limited

We have audited the financial statements of Sackville Property Investments Limited for the year ended 31 March 2004 on pages 5 to 12 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.

Sackville Property Investments Limited

Report of the independent 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 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Bromley*

Date: *14 July 2004*

Sackville Property Investments Limited

Profit and loss account for the year ended 31 March 2004

	Note	2004 £	2003 £
Turnover		2,525,845	2,166,824
Administrative expenses		<u>396,581</u>	<u>468,358</u>
Operating profit	2	2,129,264	1,698,466
Other interest receivable and similar income	4	886,038	8,647
Interest payable and similar charges	5	<u>(3,084,510)</u>	<u>(1,864,131)</u>
Loss on ordinary activities before taxation		(69,208)	(157,018)
Taxation on loss on ordinary activities	6	<u>95,313</u>	<u>-</u>
Profit/(loss) on ordinary activities after taxation		26,105	(157,018)
(Accumulated loss)/retained profit brought forward		<u>(131,958)</u>	<u>25,060</u>
Accumulated loss carried forward		(105,853)	(131,958)

All amounts relate to continuing activities.

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

There are no movements in shareholders' funds in the current and prior year apart from the profit/loss for the year.

The notes on pages 7 to 12 form part of these financial statements.

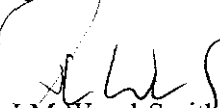
Sackville Property Investments Limited

Balance sheet at 31 March 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Fixed asset investments	7		1,403,225		313,521
Current assets					
Stocks		30,127,402		25,018,979	
Debtors-due within one year	8	727,686		3,930,315	
Debtors-due after more than one year	8	15,914,544		2,211,498	
Total debtors		16,642,230		6,141,813	
Cash at bank and in hand		393,183		177,626	
		47,162,815		31,338,418	
Creditors: amounts falling due within one year	9	6,911,891		6,673,895	
Net current assets			40,250,924		24,664,523
Total assets less current liabilities			41,654,149		24,978,044
Creditors: amounts falling due after more than one year	10		41,760,000		25,110,000
			(105,851)		(131,956)
Capital and reserves					
Called up share capital	11		2		2
Profit and loss account			(105,853)		(131,958)
Equity shareholders' funds			(105,851)		(131,956)

The financial statements were approved by the Board on 14 July 2004


J F Hickie
Director


I M Wood-Smith
Director

The notes on pages 7 to 12 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Going concern

The company has been guaranteed support by other group companies for a period of at least twelve months from the approval date of these financial statements. Accordingly, the directors consider it appropriate to prepare these financial statements on a going concern basis.

Consolidated financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents the total invoice value, excluding value added tax, of rent receivable and services supplied during the year.

Stocks

Stocks represent the acquisition cost of development properties together with associated development costs.

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:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Investments

Investments are stated at the lower of cost and market value.

Sackville Property Investments Limited

Notes forming part of the financial statements for the year ended 31 March 2004 (Continued)

2 Operating profit

	2004 £	2003 £
This is arrived at after charging:		
Audit services	-	13,825
	<u> </u>	<u> </u>

The emoluments of the auditors and of the directors, the only employees of the company, are borne by other group companies.

3 Employees

Staff costs (including directors) consist of:

	2004 £	2003 £
Wages and salaries	12,239	10,918
Social security costs	4,001	551
	<u> </u>	<u> </u>
	16,240	11,469
	<u> </u>	<u> </u>

The average number of employees (excluding directors) during the year was 1 (2003 - 1).

4 Other interest receivable and similar income

	2004 £	2003 £
Bank deposits	22,803	8,647
Loans to group companies	863,235	-
	<u> </u>	<u> </u>
	886,038	8,647
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	2004 £	2003 £
All other loans (excluding loans from group companies)	2,616,719	1,409,837
Loans from group companies	467,791	454,294
	<u> </u>	<u> </u>
	3,084,510	1,864,131
	<u> </u>	<u> </u>

Sackville Property Investments Limited

Notes forming part of the financial statements for the year ended 31 March 2004 (Continued)

6 Taxation on loss on ordinary activities

	2004 £	2003 £
<i>UK Corporation tax</i>		
Group relief - current year	(48,403)	-
Adjustment in respect of prior years group relief	(46,910)	-
	<u> </u>	<u> </u>
Total current tax	(95,313)	-
	<u> </u>	<u> </u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before tax	(69,208)	(157,018)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	(20,762)	(47,105)
Effect of:		
Expenses not deductible for tax purposes	(27,641)	194
Losses carried forward	-	6,511
Group relief	48,403	40,400
Payments received with respect to group relief	(95,313)	-
	<u> </u>	<u> </u>
Current tax charge for period	(95,313)	-
	<u> </u>	<u> </u>

7 Fixed asset investments

	Group undertakings £
<i>Cost</i>	
At 1 April 2003	313,521
Additions	1,089,704
	<u> </u>
At 31 March 2004	1,403,225
	<u> </u>

Sackville Property Investments Limited

Notes forming part of the financial statements for the year ended 31 March 2004 (*Continued*)

7 Fixed asset investments (*continued*)

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Class of share capital held	Proportion of share capital held	Nature of business
Chilton Land and Property Limited	£1,000 Ordinary	100%	Property Investment
Sackville Properties (Bracknell) Limited	£1,000 Ordinary	100%	Property Investment
Sackville Properties (Cardiff) Limited	£1,000 Ordinary	100%	Property Investment

8 Debtors

	2004 £	2003 £
Amounts receivable within one year		
Trade debtors	486,014	557,313
Amounts owed by group undertakings	132,690	3,315,828
Other debtors	-	4,788
Prepayments and accrued income	108,982	52,386
	<hr/>	<hr/>
	727,686	3,930,315
Amounts receivable after more than one year		
Amounts owed by group undertakings	15,914,544	2,211,498
	<hr/>	<hr/>
Total debtors	<hr/> 16,642,230	<hr/> 6,141,813

Sackville Property Investments Limited

Notes forming part of the financial statements for the year ended 31 March 2004 (Continued)

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	-	1,500
Amounts owed to group undertakings	6,219,000	5,806,292
Taxation and social security	98,204	83,183
Other creditors	253	8,715
Accruals and deferred income	594,434	774,205
	<u>6,911,891</u>	<u>6,673,895</u>

10 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bank loans (secured)	<u>41,760,000</u>	<u>25,110,000</u>
Maturity of debt:		
	Loans and overdrafts 2004 £	Loans and overdrafts 2003 £
In more than five years	<u>41,760,000</u>	<u>25,110,000</u>

The loan is secured by a fixed charge over certain freehold property, shares, rent proceeds and a floating charge over the remaining property assets.

The loan is due for repayment in full on 23 November 2006 or earlier if the properties acquired with the loan are sold. Interest is at 2% plus LIBOR, however the company has entered into swap agreements that effectively fix £18,060,000 of the loan at a weighted average of 5.35% until June 2004.

Sackville Property Investments Limited

Notes forming part of the financial statements for the year ended 31 March 2004 (*Continued*)

11 Share capital

	Authorised		Allotted, called up and fully paid	
	2004	2003	2004	2003
	£	£	£	£
<i>Equity share capital</i>				
1000 ordinary shares of £1 each	1,000	1,000	2	2

12 Related party disclosures

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transaction", not to disclose any transactions with entities that are included in the consolidated financial statements of Sackville Properties plc.

During the period legal services were provided to the company by Field Seymour Parks, a law firm in which IM Wood Smith is a partner. Fees charged during the period amounted to £85,435.

13 Ultimate parent company and parent undertaking of larger group

In the directors' opinion, the company's immediate and ultimate parent company and controlling party is Sackville Properties plc which is incorporated in the UK.

Copies of consolidated financial statements of Sackville Properties plc are available from Companies House.