

REGISTRAR'S COPY

Co. NO. 4668825.

BASEPOINT DEVELOPMENTS LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD
18TH FEBRUARY 2003 TO 29TH FEBRUARY 2004



BASEPOINT DEVELOPMENTS LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
for the period 18th February 2003 to 29th February 2004**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7
Profit and Loss Account	11

BASEPOINT DEVELOPMENTS LIMITED

COMPANY INFORMATION
for the period 18th February 2003 to 29th February 2004

DIRECTORS: R.J. Cleaver
T.D. Boakes
P.A. Stansfield
G.N. Smith

SECRETARY: T.D. Boakes

REGISTERED OFFICE: 9 Charlecote Mews
Staple Gardens
Winchester
Hampshire
SO23 8SR

REGISTERED NUMBER: 4668825

AUDITORS: Blueprint Audit Limited
Registered Auditor
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
SO53 3TY

BASEPOINT DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS **for the period 18th February 2003 to 29th February 2004**

The directors present their report with the financial statements of the company for the period 18th February 2003 to 29th February 2004.

INCORPORATION

The company was incorporated on 18th February 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of developing managed business enterprise centres.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

The operating profit for the year amounted to £774,857. Net interest received has added £357, leaving a profit on ordinary activities of £775,214. The directors consider the state of the company's affairs to be satisfactory.

DIVIDENDS

Dividends of £400,000 were paid during the period ended 29th February 2004.

DIRECTORS

The directors during the period under review were:

R.J. Cleaver	- appointed 18.2.03
T.D. Boakes	- appointed 18.2.03
P.A. Stansfield	- appointed 14.4.03
G.N. Smith	- appointed 14.4.03

The directors holding office at 29th February 2004 did not hold any beneficial interest in the issued share capital of the company at date of appointment or 29th February 2004.

The directors interests in the shares of the holding company are disclosed in the holding company's financial statements.

All the directors, being eligible, offer themselves for election at the forthcoming first Annual General Meeting.

STATEMENT OF 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 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;
- 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.

BASEPOINT DEVELOPMENTS LIMITED

**REPORT OF THE DIRECTORS
for the period 18th February 2003 to 29th February 2004**

AUDITORS

The auditors, Blueprint Audit Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'T.D. Boakes', is written above the printed name.

T.D. Boakes - Secretary

19th May 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
BASEPOINT DEVELOPMENTS LIMITED**

We have audited the financial statements of Basepoint Developments Limited for the period ended 29th February 2004 on pages five to ten. 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 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 directors and auditors

As described on page two the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors 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 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

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29th February 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Blueprint Audit Limited

Blueprint Audit Limited
Registered Auditor
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
SO53 3TY

19th May 2004

BASEPOINT DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT
for the period 18th February 2003 to 29th February 2004

	Notes	£
TURNOVER	2	1,382,501
Administrative expenses		607,644
OPERATING PROFIT	4	774,857
Interest receivable and similar income		594
		775,451
Interest payable and similar charges	5	237
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		775,214
Tax on profit on ordinary activities	6	214,286
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		560,928
Dividends	7	400,000
RETAINED PROFIT CARRIED FORWARD		£160,928

CONTINUING OPERATIONS

All of the company's activities were acquired in the current year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current period.

BASEPOINT DEVELOPMENTS LIMITED

BALANCE SHEET
29th February 2004

	Notes	£
CURRENT ASSETS:		
Stocks	8	21,407
Debtors	9	707,804
Cash at bank		57,152
		<u>786,363</u>
CREDITORS: Amounts falling due within one year	10	625,434
		<u>160,929</u>
NET CURRENT ASSETS:		<u>160,929</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>£160,929</u>
CAPITAL AND RESERVES:		
Called up share capital	11	1
Profit and loss account		160,928
		<u>160,929</u>
SHAREHOLDERS' FUNDS:	15	<u>£160,929</u>

ON BEHALF OF THE BOARD:


R.J. Cleaver - Director


T.D. Boakes - Director

Approved by the Board on 19th May 2004

BASEPOINT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the period 18th February 2003 to 29th February 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a subsidiary of Basepoint plc and a group cashflow statement has been prepared.

Turnover

Turnover comprises net amounts derived from the provision of services, excluding value added tax.

Development in progress

Developments in progress at the year end are valued at cost.

Deferred tax

Deferred taxation is provided in full on timing differences which represent a liability at the Balance Sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

Long term contracts

Contracts for the procurement or project management of enterprise centres are considered to be long term contracts. Turnover is determined by reference to the anticipated fee derived from the contract and is credited to turnover on a straight line basis from the commencement of the contract through to the projected date of practical completion. Operating profit includes attributable profit on long term contracts completed and amounts recoverable on contracts uncompleted. Procurement fees contingent on centres achieving target occupancy rates are not recognised until the target is met.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

3. STAFF COSTS

	£
Wages and salaries	356,570
Social security costs	45,640
	<hr/>
	402,210
	<hr/>

The average monthly number of employees during the period was as follows:

Directors	4
	<hr/>

4. OPERATING PROFIT

The operating profit is stated after charging:

	£
Auditors' remuneration	2,000
	<hr/>
Directors' emoluments	356,570
	<hr/>

BASEPOINT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the period 18th February 2003 to 29th February 2004

Information regarding the highest paid director is as follows:

Emoluments etc	£ 152,251
----------------	--------------

5. INTEREST PAYABLE AND SIMILAR CHARGES

Other interest	£ 237
----------------	----------

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

Current tax:	£
UK corporation tax	214,286
Tax on profit on ordinary activities	214,286

Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

Profit on ordinary activities before tax	£ 775,214
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	232,564
Effects of: Group relief received, not paid for	(18,278)
Current tax charge	214,286

7. DIVIDENDS

Equity shares:	£
Interim - ordinary shares	400,000

8. STOCKS

Development in progress	£ 21,407
-------------------------	-------------

BASEPOINT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the period 18th February 2003 to 29th February 2004

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade debtors	37,832
Amounts recoverable on contracts	221,200
Amounts due from Basepoint Limited Partnership	448,772
	<u>707,804</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade creditors	5,036
Taxation	214,286
Accrued expenses	406,112
	<u>625,434</u>

11. CALLED UP SHARE CAPITAL

Authorised:			
Number:	Class:	Nominal value:	£
1,000	Ordinary	£1	<u>1,000</u>
Alotted, issued and fully paid:			
Number:	Class:	Nominal value:	£
1	Ordinary	£1	<u>1</u>

The following shares were allotted and fully paid for cash at par during the period:

1 Ordinary shares of £1 each

12. ULTIMATE PARENT COMPANY

The directors regard Basepoint plc, a company registered in England and Wales as the ultimate holding company. Consolidated accounts are available from its Registered Office at 9 Charlecote Mews, Staple Gardens, Winchester, SO23 8SR.

13. CONTINGENT LIABILITIES

The company is part of a multi-lateral guarantee over certain borrowings of its parent and fellow subsidiaries. At the year end, the amount covered under the guarantee amounted to £10,569,500.

BASEPOINT DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the period 18th February 2003 to 29th February 2004

14. RELATED PARTY DISCLOSURES

Basepoint Plc and its subsidiary companies (Basepoint) has entered into a Limited Partnership (Partnership) with the Trustees of the Kodak Pension Plan. The Partnership was established to specifically develop and operate centres similar to the established centres operated by Basepoint.

The Partnership is operated by Basepoint Properties Limited under a management agreement which allows day to day operating decisions to be made but which requires all substantive decisions to be approved by the Operator of the Partnership, LaSalle Investment Management. All transactions between Basepoint and the Partnership are at arms length.

During the year ended 29th February 2004 Basepoint Developments entered into the under-mentioned related party transactions with the Partnership.

MBEC Development Activity

Basepoint is required to procure new centres for the Partnership which includes supervision of the construction process. Basepoint initially bears pre-development costs which typically include site investigation and planning. These costs are transferred to the Partnership if the Partnership agrees to proceed with the development. During the construction phase Basepoint may incur some costs relating to the development and these are also passed on to the Partnership at cost. Basepoint Developments Ltd receives project management fees for supervising the development activities and at practical completion is eligible to receive a fee for the procurement of the completed development. This fee can subsequently be increased when occupancy of a centre exceeds a target level

The value of development activity transactions between Basepoint Developments Ltd and the Partnership during the year to 29th February 2004, as described, amounted to £1.56m

Balances at 29th February 2004

Amount due from Basepoint Limited Partnership £448,772

No amounts have been written off or otherwise provided for.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Profit for the financial period	560,928
Dividends	(400,000)
	<hr/>
	160,928
Share capital issued in year	1
	<hr/>
Net addition to shareholders' funds	160,929
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	160,929
	<hr/>
Equity interests	160,929
	<hr/>