

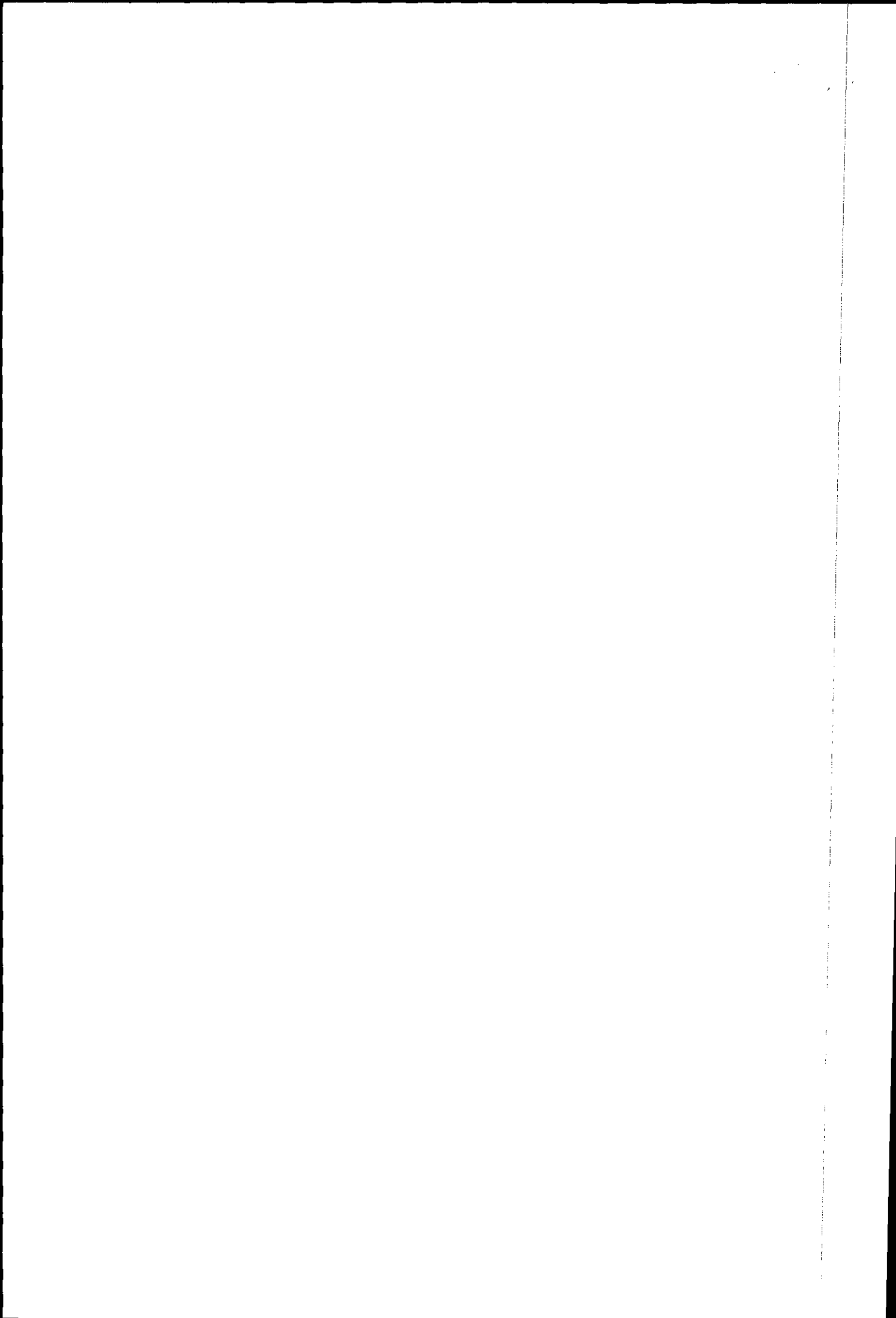
MCD (Fleet) LLP

Members' report and financial
statements

Registered number 0C301189

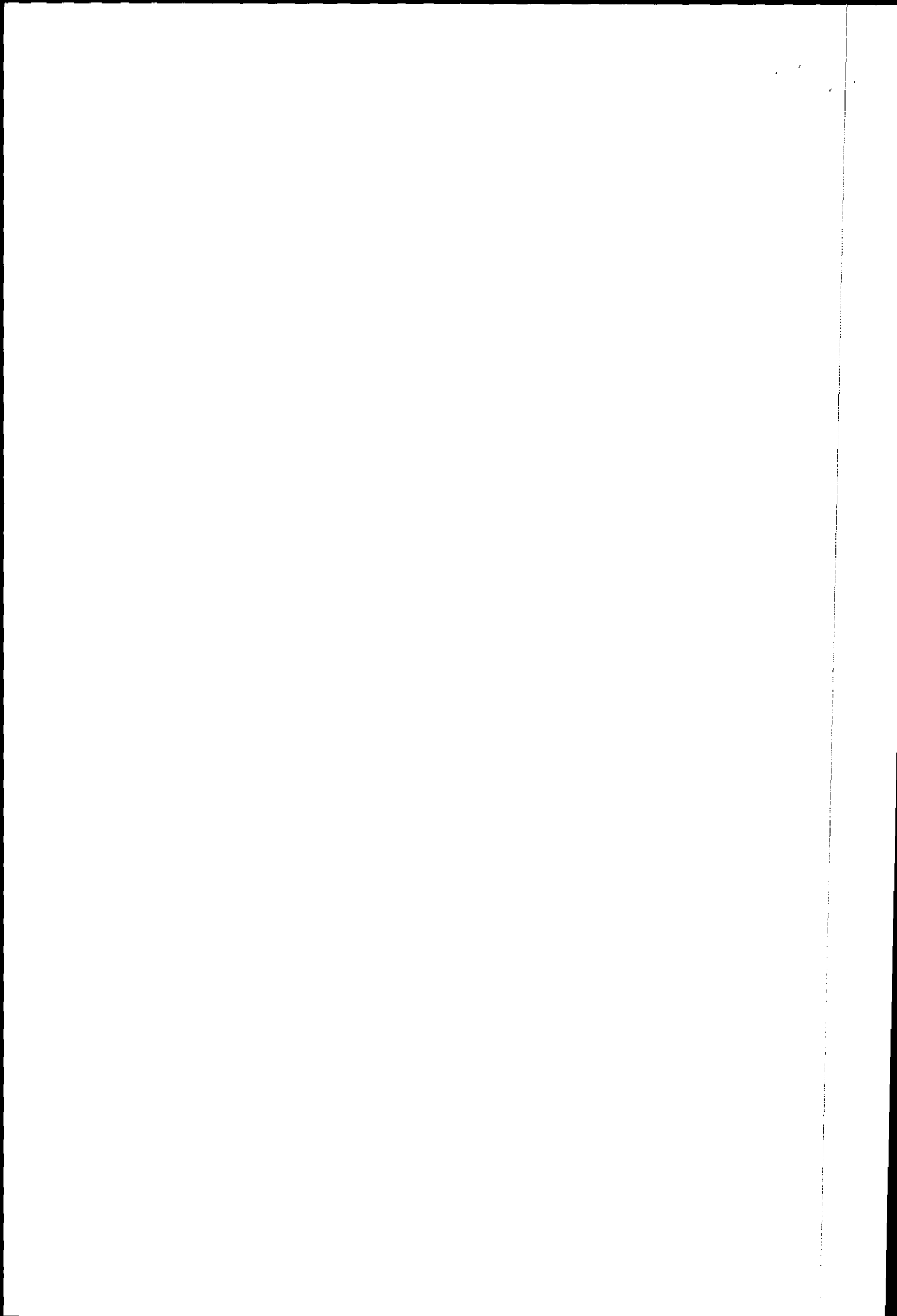
For the period ended 28 February 2003





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Members' report

The members present their first annual report and the audited financial statements for the period from the date of incorporation, being 19 December 2001, to 28 February 2003.

Principal activity

The principal activity of the LLP, is and will continue to be, that of undertaking large scale, mixed use property developments.

Business review

The Partnership is constructing a development of residential canal-side apartments in the centre of Birmingham, with a number of commercial and retail units at a resale value of circa £25 million.

A good proportion of the residential units have been sold off-plan and the development continues to attract much interest. The Members feel confident that the scheme will be successful with sales continuing into 2004 and contributes to the regeneration of the area and surroundings.

Designated members

The designated members of the LLP throughout the financial period are set out below:

SG Byrne	(appointed 19 December 2001)
JD Corstorphine	(appointed 19 December 2001)
TK Quigley	(appointed 19 December 2001)

Policy on drawings, subscription and repayment of capital

Each member is entitled to a share in the net profits of the LLP in proportion to their shares held. Each members' share of net profits shall be paid to him within one month after the signing of the annual audited financial statements for the financial year. Following the date on which the debt owing to the bank has been repaid in full and all development costs have been settled or provided for, in full, the LLP may pay to each member directly his relevant percentage at the end of each quarter any surplus cash of the LLP on account of his share of net profits.

The capital of LLP is £3 and is paid for in the following proportions:

	On incorporation and at 28 February 2003 £
JD Corstorphine	1
JG Byrne	1
TK Quigley	1

Any distribution of capital shall be distributed to the members in proportion of their shares to the total share capital.

Unless the members agree otherwise, the LLP shall be wound up on completion of the sale of all the land or all the building assets comprised in the business.

In the event of the LLP being wound up or dissolved, other than in the circumstance of insolvency, the net assets, or proceeds of sale of such assets, shall be shared between the members in proportion to their shares on the day before the commencement of the winding up.


Members' report *(continued)*

Auditors

During the period, KPMG LLP were appointed auditors to the LLP.

A resolution for the re-appointment of KPMG LLP as auditor of the LLP is to be proposed at the forthcoming annual general meeting.

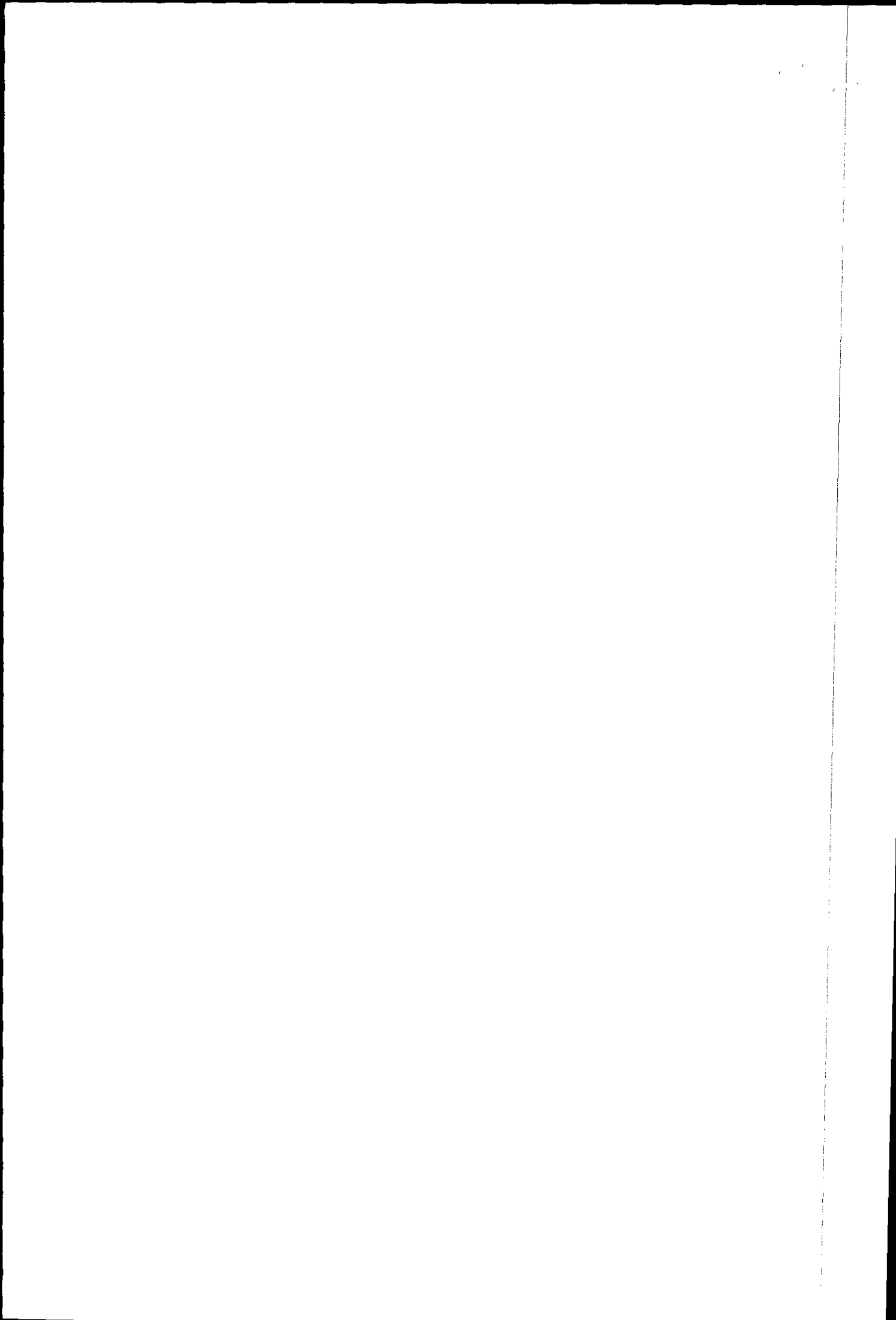
By order of the members and signed on their behalf



DP Fajr
Secretary

Third Floor
Newater House
Newhall Street
Birmingham
B3 3NY

11 November 2003



Statement of members' responsibilities

The law relating to limited liability partnerships (LLPs) requires the members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the partnership at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the members 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 presume that the LLP will continue in business.

Under the Limited Liability Partnerships Act 2000, the members are also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the LLP and which enable them to ensure that the financial statements will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.



KPMG LLP
2 Cornwall Street
Birmingham B3 2DL

Report of the independent auditors to the members of MCD (Fleet) LLP

We have audited the financial statements on pages 5 to 10.

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Section 235 of the Companies Act 1985, as required by Paragraph 3 of the Limited Liability Partnership Regulations 2001. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

The members are responsible for preparing the members' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 limited liability partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited liability partnership'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 affairs of the limited liability partnership as at 28 February 2003 and of its loss for the period from incorporation on 19 December 2001 to 28 February 2003 and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

11 November 2003

Profit and loss account
at 28 February 2003

	<i>Note</i>	Period ended 28 February 2003 £
Administrative expenses and operating loss	2	(5,164)
Interest payable and similar charges	3	(241,055)
Loss for the financial period before members' remuneration and profit shares and loss for the financial period available for division among members	4,8	(246,219)

The accompanying notes on pages 7 to 10 are an integral part of the financial statements.

All operating results relate to continuing operations.

There were no recognised gains or losses in the current period other than those disclosed in the profit and loss account.



JD Corstorphine
Partner

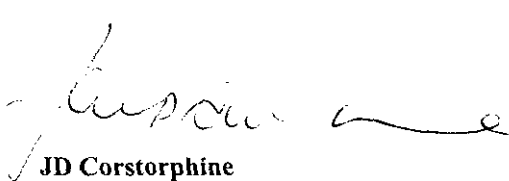



TK Quigley
Partner

Balance sheet
at 28 February 2003

	<i>Note</i>	2003 £
Current assets		
Stock	5	6,518,850
Debtors	6	683,507
		<hr/>
		7,202,357
Creditors: Amounts falling due within one year	7	(7,448,573)
		<hr/>
Net current liabilities being total assets less current liabilities		(246,216)
		<hr/>
Other reserves	8	(246,216)
		<hr/>
Total members' interests		
Members' interests	8	(246,216)
		<hr/>

These financial statements were approved by the members on 11 November 2003 and were signed on its behalf by:


JD Corstorphine
Partner


TK Quigley
Partner

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to MCD (Fleet) LLP's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, including the Statement of Recommended Practice, Accounting by Limited Liability Partnerships and under the historical cost accounting rules.

Under Financial Reporting Standard 1, the LLP is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Going concern

The financial statements are prepared on a going concern basis notwithstanding net liabilities of £246,216. The validity of this basis is dependent upon the continued financial support of the members. This support has been given by way of a commitment to provide such additional funds as may be required to enable the partnership to meet its obligations as they fall due. The members, therefore, believe that it is appropriate to prepare the financial statements on the going concern basis. As with any partnership placing reliance on other individuals for financial support, the members acknowledge that there can be no certainty that this support will continue. The financial statements do not include any adjustments that would result from a withdrawal of the financial statements support provided by the members.

Stock: work in progress

Stocks comprise development work in progress and properties held for resale. Stocks are stated at the lower of cost and net realisable value. Cost is determined on an actual basis and comprises land, property, materials and attributable overheads. Net realisable value is based on estimated selling prices less further costs anticipated to disposal.

Taxation

Taxation on all partnership profits is solely the personal liability of individual partners. A retention from profits is made to fund payments on behalf of partners, reflected in partners' current accounts. Payments are charged against the retention.

Turnover

Turnover represents the proceeds from the sale of units during the year net of sale incentives. Turnover is recognised on unconditional exchange of contracts on units that are substantially complete. All turnover arises on sales to customers within the United Kingdom and in the opinion of the members, constitutes one class of business.

Notes (continued)

2 Operating loss

	Period ended 28 February 2003 £
<i>Operating loss is stated</i>	
<i>after charging</i>	
Auditors remuneration:	
Audit	2,900
Non-audit	1,900
	<hr/>

3 Interest payable and similar charges

	Period ended 28 February 2003 £
Bank interest	241,055
	<hr/>

4 Members' remuneration

Profits/losses are shared amongst the members each year in accordance with agreed profit sharing arrangements. Members are required to make their own provision for pensions from their profit share.

The average number of members during the period was 3.

None of the members received any remuneration in the financial period for their services to the LLP.

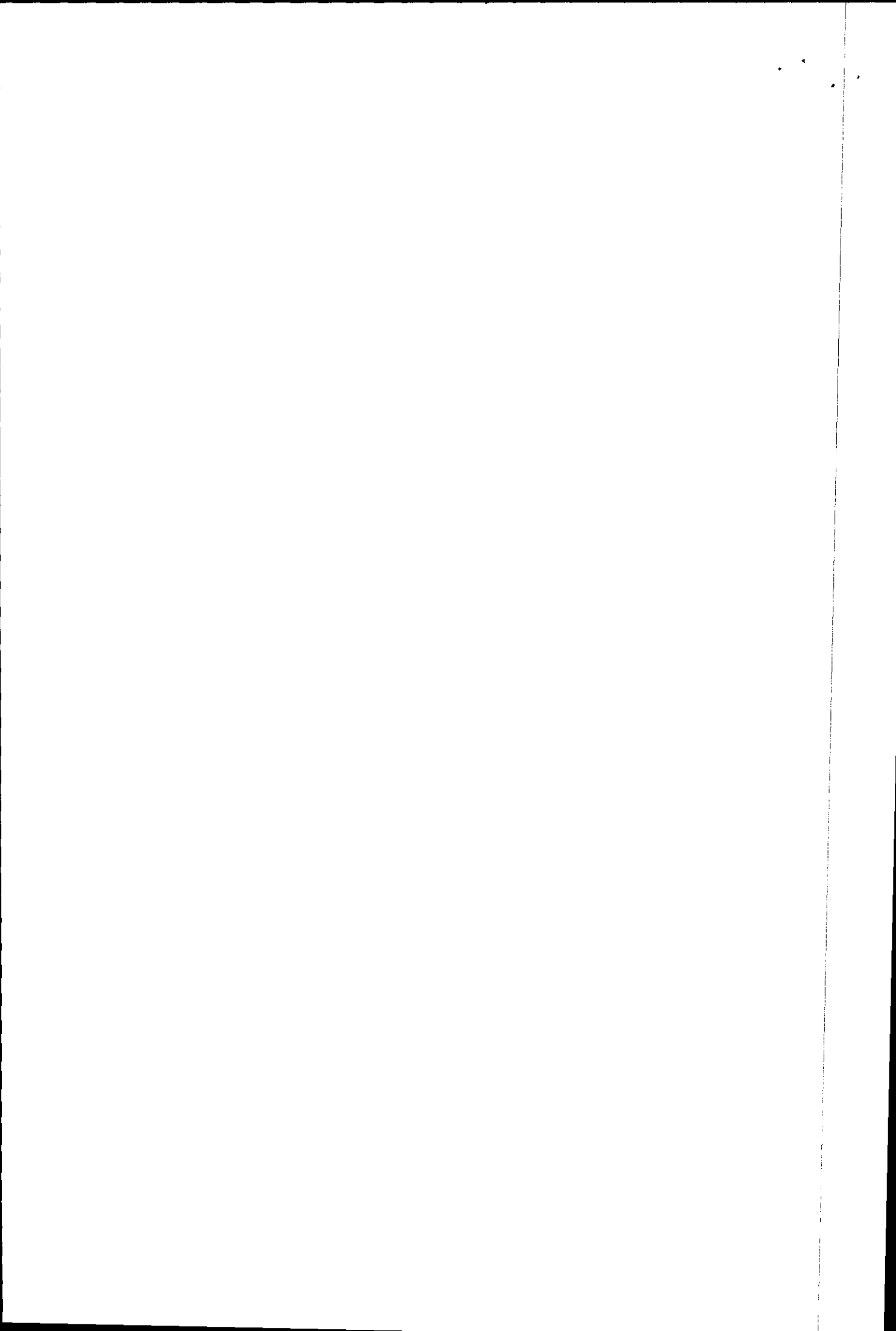
5 Stock

	2003 £
Work in progress: Fleet Street, Birmingham	6,518,850
	<hr/>

6 Debtors

	2003 £
Amounts due from associated companies (see note 10)	615,000
Other debtors	68,507
	<hr/>
	683,507
	<hr/>

All amounts are due within one year.



Notes (continued)

7 Creditors: Amounts falling due within one year

	2003 £
Bank overdraft (secured)	6,145,044
Trade creditors	541,938
Amounts due to associated companies (see note 10)	621,309
Accruals	140,282
	<hr/> 7,448,573 <hr/>

The bank overdraft is secured on certain assets of the company.

8 Members' interests

	£
At beginning of period	-
Loss for financial period	(246,219)
Members' capital	3
	<hr/> (246,216) <hr/>
Members' interests after loss for the financial period and at 28 February 2003	<hr/> (246,216) <hr/>

9 Commitments

There were no capital commitments at the end of the financial period.

10 Related party transactions

During the period, LMP Consultants Limited, a company in which SG Byrne has a 50% interest, made sales to the LLP amounting to £62,000 in respect of project management services. These costs have been included in work in progress at 28 February 2003. At 28 February 2003, LMP Consultants Limited was owed £9,910 by the LLP.

During the period, the following are considered to be related parties of the LLP:

Midland & City Developments Limited	-	a connected company
MCD (Sheepcote) Limited	-	a connected company
MCD (Browning) Limited	-	a connected company
MCD (Fleet Street) Limited	-	a connected company

Notes (continued)

10 Related party transactions (continued)

The following transactions and debtor/(creditor) balances arose during the period and existed at period end respectively:

	Transactions to/(from) 2003 £	Debtor/ (creditor) 2003 £
Midland & City Developments Limited	(336,000)	(37,734)
MCD (Sheepcote) Limited	745,748	615,000
MCD (Browning) Limited	(29,581)	(29,581)
MCD (Fleet Street) Limited	(553,994)	(553,994)
	<u> </u>	<u> </u>

11 Controlling party

The controlling parties are SG Byrne, JD Corstorphine and TK Quigley.

