

**LEADENHALL RESIDENTIAL II LIMITED**

**Report and Financial Statements**

**31 December 2002**



**Deloitte & Touche  
London**

**REPORT AND FINANCIAL STATEMENTS 2002**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the accounts</b>	<b>7</b>

**REPORT AND FINANCIAL STATEMENTS 2002**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Charles E. Clark  
Mark P. Benson  
Andrew D. Holmes  
Stuart H. Parfitt

**SECRETARY**

Andrew D. Holmes

**REGISTERED OFFICE**

Third Floor  
8 Moorgate  
London EC2R 6AF

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
London

**DIRECTORS' REPORT**

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

**ACTIVITIES**

The principal activity of the company continues to be investment in residential property for resale.

**RESULTS AND DIVIDENDS**

The profit for the period after taxation was £447,740 (2001 - £1,234,477). The directors do not recommend payment of a dividend for the current year (2001 - £2,337,824).

**FUTURE PROSPECTS**

The company intends to continue to pursue its current activities.

**DIRECTORS AND THEIR INTERESTS**

The directors who have held office throughout the year, none of whom had any interests in the issued share capital of the company, had interests in the share capital of Leadenhall Group Limited, the ultimate parent company, as follows:

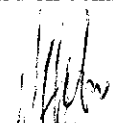
	Ordinary shares of £1 each	
	At 1 January 2002	At 31 December 2002
Charles E. Clark	60,000	60,000
Mark P. Benson	60,000	60,000
Andrew D. Holmes	60,000	60,000
Stuart H. Parfitt	60,000	60,000

At 31 December 2002 the called up, allotted and fully paid share capital of Leadenhall Group Limited represented 240,000 ordinary shares of £1 each.

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

  
Andrew D. Holmes  
Secretary

13 May 2003

**STATEMENT OF 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable United Kingdom accounting standards have been followed and to disclose and explain any material departures in the financial statements.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEADENHALL  
RESIDENTIAL II LIMITED**

We have audited the financial statements of Leadenhall Residential II Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 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 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 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 for the above year 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**

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and Registered Auditors  
London

13 May 2003

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2002**

	Note	2002 £	2001 £
<b>TURNOVER</b>	2	742,210	3,482,942
Cost of sales		(444,286)	(2,218,118)
<b>GROSS PROFIT</b>		297,924	1,264,824
Administrative expenses		3,005	(157,350)
<b>OPERATING PROFIT</b>	4	300,929	1,107,474
Interest receivable from fellow subsidiary undertakings		338,700	375,075
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		639,629	1,482,549
Tax on profit on ordinary activities	5	(191,889)	(248,072)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	9	447,740	1,234,477
Dividend proposed	9	-	(2,337,824)
Amount transferred to/ (from) reserves		447,740	(1,103,347)
Retained profit brought forward		25,891	1,129,238
Retained profit carried forward		473,631	25,891

All recognised gains and losses for the current and preceding financial year have been dealt with in the profit and loss account.

All activities derive from continuing operations.

**BALANCE SHEET**  
**31 December 2002**

	Note	2002 £	2001 £
<b>CURRENT ASSETS</b>			
Stock		-	444,286
Debtors	6	4,825,833	4,584,472
		<u>4,825,833</u>	<u>5,028,758</u>
<b>CREDITORS: amounts falling due</b>			
Within one year	7	-	(650,665)
<b>NET CURRENT ASSETS</b>		<u>4,825,833</u>	<u>4,378,093</u>
<b>NET ASSETS</b>		<u>4,825,833</u>	<u>4,378,093</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	2,315,002	2,315,002
Share premium		2,037,200	2,037,200
Profit and loss account		473,631	25,891
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	9	<u>4,825,833</u>	<u>4,378,093</u>

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

13 / 5 / 2003.

Mark P. Benson  
Director





## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom law and applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Stock**

Stock comprises residential property held for resale. Stock is valued at the lower of cost and net realisable value.

**Deferred taxation**

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based in current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included within the financial statements.

**Cash flow statement**

The cash flows of the group are included in cash flow statement prepared by Leadenhall Group Limited. Accordingly, the group has taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1 (Revised 1996), "Cash Flow Statement", and not published its own cash flow statement.

## 2. TURNOVER

Turnover represents the gross rental income in respect of the company's properties and proceeds from sales of those properties. Turnover and pre tax profits, all of which arise in the UK, are attributable to one activity, residential property investment.

## 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments for the financial period were £nil (2001 - £nil). The company does not have any employees (2001 - nil).

## 4. OPERATING PROFIT

	2002	2001
	£	£
<b>Operating profit is stated after charging:</b>		
Recharges from fellow subsidiary undertaking	5,189	89,760
	<u>5,189</u>	<u>89,760</u>

Audit fees for 2002 and 2001 are paid on the company's behalf by a related company, Leadenhall UK Limited.

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
United Kingdom corporation tax at 30% (2001 - 30%)	191,889	444,765
Adjustment in respect of prior periods	-	(196,693)
	<u>191,889</u>	<u>248,072</u>

The tax assessed for the period is at the standard rate of corporation tax in the UK : 30% (2001: 30%)

	£	£
Profit on ordinary activities before tax	<u>639,629</u>	<u>1,482,549</u>
Tax at 30% thereon	191,889	444,765
Effects of: Prior period adjustment	-	(196,693)
Current tax charge for period	<u>191,889</u>	<u>248,072</u>

## 6. DEBTORS

	2002 £	2001 £
Amounts owed by group undertakings Parent company	<u>4,825,833</u>	<u>4,584,472</u>
	<u>4,825,833</u>	<u>4,584,472</u>

## 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Corporation tax	-	650,665
	<u>-</u>	<u>650,665</u>

## 8. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised: 6,000,000 50p ordinary shares	<u>3,000,000</u>	<u>3,000,000</u>
Called up, allotted and fully paid: 4,630,003 50p ordinary shares	<u>2,315,002</u>	<u>2,315,002</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**9. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Opening equity shareholders' funds	4,378,093	5,481,440
Retained profit for the year	447,740	1,234,477
Dividend proposed	-	(2,337,824)
Closing equity shareholders' funds	<u>4,825,833</u>	<u>4,378,093</u>

**10. ULTIMATE PARENT COMPANY**

The ultimate parent company and controlling entity is Leadenhall Group Limited, a company incorporated in Great Britain, which is also the smallest and largest group in which the results of the company are consolidated.

The financial statements of Leadenhall Group Limited and Leadenhall UK Holdings Limited can be obtained from Leadenhall UK Limited, Third Floor, 8 Moorgate, London EC2R 6AF.

**11. RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption provided by FRS8 not to disclose transactions with group companies on the basis that it is a 100% owned subsidiary and consolidated accounts in which it is included are publicly available. There were no other transactions with related parties which required disclosure.

**12. CONTINGENT LIABILITY**

In March 2000, Nationwide Building Society provided Leadenhall UK Holdings Limited, a member of Leadenhall Group, with a financing facility of £77m. The facility is jointly and severally guaranteed by the group companies, including the company. The guarantee includes a first priority charge on the respective group companies' assets. At 31 December 2002 the amount outstanding under the facility amounted to £5.9m (2001 - £13.3m). There have been no notifications of default as at the date of these accounts which might have given rise to crystallisation of this liability.