

CSC LAKESIDE LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2006

Company number 4144192

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CSC LAKESIDE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors submit their report and accounts for the year ended 31 December 2006

BUSINESS REVIEW

The principal activity of the company is the ownership, management and development of Lakeside Shopping Centre, Thurrock

The company's results and financial position for the year ended 31 December 2006 are set out in full in the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the notes relating thereto

Both the level of business during the year and the year end financial position were as expected. Loss on ordinary activities before taxation was £2.0 million (2005 £14.8 million). Shareholders' funds at 31 December 2006 were £454.1 million (2005 £140.6 million).

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

The directors expect that the present level of activity will continue for the foreseeable future. As the company's ultimate parent company is Liberty International PLC, there are no principal risks and uncertainties facing the company which are not faced by the group. These risks and uncertainties are disclosed on pages 26 and 27 of the group financial statements.

DIVIDENDS

The directors do not recommend a dividend for the year (2005 £nil).

CREDITOR PAYMENT

The company follows the same policy for creditor payments as its ultimate parent company, Liberty International PLC. The majority of trade creditors are paid in accordance with the CBI's Prompt Payers Code. For other suppliers, the company's policy is to agree terms with suppliers for each transaction, to ensure the terms are stated in contracts and to pay in accordance with those terms. The ratio, expressed in days, between the amounts invoiced to the company in the year and its trade creditors as at 31 December 2006 was nil days as calculated in accordance with the requirements of the Companies Acts (2005 nil days).

FIXED ASSETS

The movements in fixed assets are set out in note 5.

DIRECTORS IN THE YEAR

P C Barton resigned 12 September 2006
R M Cable
K E Chaldecott
M D Ellis
D A Fischel
C Kirby
A C Smith

J Ainsley, M Breeden, K Grant, P Wardle, were appointed as directors with effect from 1 March 2007.

CSC LAKESIDE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS' INTERESTS

During the year no director held a disclosable interest in the shares of the company. The interests of the directors who are also directors of Liberty International PLC and their families, in the share capital of other group companies, are disclosed in the notes of the annual report and accounts of that company. The interests of the remaining directors (i.e. excluding those directors who are also directors of Liberty International PLC) and their families in the share capital of other group companies are shown in the financial statements of Capital Shopping Centres PLC, a subsidiary of Liberty International PLC.

DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2006. The directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware and each director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for keeping proper accounting records that 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 for taking reasonable steps to prevent and detect fraud and other irregularities.

AUDITORS

Elective resolutions are in force to dispense with holding annual general meetings, the laying of annual accounts before the company in general meeting and the appointment of auditors annually. No annual general meeting will be held this year unless a requisition to hold the same is received from a member or the auditors within 28 days of receipt of the report and accounts. In the absence of any such requisition, the auditors, PricewaterhouseCoopers LLP, will be deemed to be re-appointed for each succeeding financial year.

By order of the Board



**S Folger
Secretary
21 March 2007**

CSC LAKESIDE LIMITED

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of CSC Lakeside Limited

We have audited the financial statements of CSC Lakeside Limited for the year ended 31 December 2006 which comprise of the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

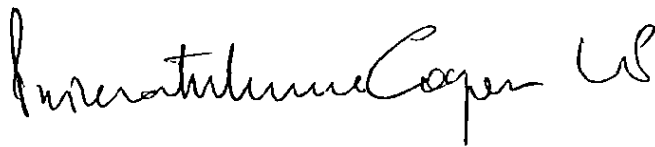
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

CSC LAKESIDE LIMITED
INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers' followed by a stylized monogram or initials.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21 March 2007

CSC LAKESIDE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £m	2005 £m
Continuing operations			
Turnover	1	<u>65 0</u>	<u>59 4</u>
Net property investment income	1	54 9	48 8
Administrative expenses		<u>(2 3)</u>	<u>(2 1)</u>
Operating profit		52 6	46 7
Net interest	2	<u>(54 6)</u>	<u>(61 5)</u>
Loss on ordinary activities before taxation	3	(2 0)	(14 8)
Taxation on loss on ordinary activities	4	<u>(6 2)</u>	<u>(1 0)</u>
Loss for the financial year		(8 2)	(15 8)
Retained loss brought forward	11	<u>(83 9)</u>	<u>(68 1)</u>
Retained loss carried forward	11	<u>(92 1)</u>	<u>(83 9)</u>

There is no difference between the loss on ordinary activities before taxation and the loss for the year and their historical cost equivalents

The notes on pages 8 to 14 form part of these financial statements

CSC LAKESIDE LIMITED

BALANCE SHEET AT 31 DECEMBER 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Tangible assets			
Investment properties	5	<u>1,298 6</u>	<u>1,165 3</u>
Current assets			
Debtors	6	12 9	12 7
Cash at bank and in hand		<u>0 6</u>	<u>1 4</u>
		13 5	14 1
Creditors: amounts falling due within one year	7	<u>(195 6)</u>	<u>(471 6)</u>
Net current liabilities		<u>(182 1)</u>	<u>(457 5)</u>
Total assets less current liabilities		1,116 5	707 8
Creditors: amounts falling due after more than one year	8	(662 4)	(547 5)
Provisions for liabilities and charges	9	<u>-</u>	<u>(19 7)</u>
Net assets		<u>454 1</u>	<u>140 6</u>
Capital and reserves			
Share capital	10	196 0	-
Revaluation reserve	11	350 2	224 5
Profit and loss account	11	<u>(92 1)</u>	<u>(83 9)</u>
Equity shareholders' funds		<u>454 1</u>	<u>140 6</u>

The notes on pages 8 to 14 form part of these financial statements.

Approved by the Board on 21 March 2007 and signed on its behalf by



K E Chaldecott
Director



A C Smith
Director

CSC LAKESIDE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £m	2005 £m
Loss for the financial year	(8 2)	(15 8)
Increase in valuation of investment properties	<u>125 7</u>	<u>85 2</u>
Total recognised gains and losses for the year	<u>117 5</u>	<u>69 4</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £m	2005 £m
Opening shareholders' funds	140 6	71 2
Total recognised gains and losses for the year	117 5	69 4
Issue of ordinary share capital	<u>196 0</u>	<u>-</u>
Closing shareholders' funds	<u>454 1</u>	<u>140 6</u>

The notes on page 8 to 14 form part of these financial statements

CSC LAKESIDE LIMITED

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted in the preparation of the financial statements are set out below

Basis of accounting

The financial statements are prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom and under the historical cost convention as modified by the revaluation of properties as described below

Completed investment property

Completed investment properties are professionally valued on a market value basis by external valuers at the balance sheet date. Surpluses and deficits arising during the year are reflected in the revaluation reserve

Investment property under development

Investment properties under development are included in the balance sheet at cost. Provision is made where necessary for any anticipated valuation deficiencies arising on completion. Cost includes interest and other attributable outgoings. On completion investment properties under development are transferred to completed investment properties

Depreciation

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided in respect of freehold or long leasehold investment properties including integral plant (long leasehold investment properties for this purpose comprise leases with more than 20 years unexpired). The requirement of the Companies Act 1985 is to depreciate all properties but that requirement conflicts with the generally accepted accounting principles set out in Statement of Standard Accounting Practice 19. The directors consider that, as these properties are held for investment, to depreciate them would not give a true and fair view and it is necessary to adopt Statement of Standard Accounting Practice 19 for the accounts to show a true and fair view. The financial effect of the departure from the Act cannot reasonably be quantified as depreciation is only one of the many factors reflected in the annual valuation of properties so the amount which might otherwise have been charged cannot be separately identified or quantified.

Turnover

Turnover consists of gross rental income calculated on an accruals basis, together with sales and services in the ordinary course of business, excluding sales of investment properties. In accordance with UITF 28, rental income receivable in the period from lease commencement to the earlier of the first market rent review and the lease end date is spread evenly over that period. Any incentive for lessees to enter into a lease agreement is spread over the same period.

CSC LAKESIDE LIMITED

PRINCIPAL ACCOUNTING POLICIES

Taxation

Corporation tax is provided at the current rate on taxable profits. Taxation payable upon realisation of revaluation gains recognised in prior periods is recorded as a movement in reserves and reported in the statement of total recognised gains and losses. Deferred taxation is provided in full on timing differences other than valuation surpluses on investments held for the long term where disposal is not contemplated in the foreseeable future. Deferred taxation is provided on the difference between the tax written down value and book value of all assets and on chargeable capital gains on those investments and investment properties earmarked for sale at the date of the accounts. This liability is not discounted. The conversion to a REIT status at the end of the year resulted in the reversal of the deferred tax in respect of capital allowances previously included in the company's balance sheet.

Debt instruments

Debt instruments are stated at their net issue proceeds adjusted for amortisation of issue costs.

Cash flow statement

The company is not required to produce a statement of cash flows under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary of Liberty International PLC and the cash flows of the company are included in the consolidated financial statements of the ultimate parent company, which are publicly available.

Related party transactions

The company is ultimately wholly owned by Liberty International PLC, whose consolidated financial statements are publicly available, and therefore the company is exempt under the terms of Financial Reporting Standard 8 from disclosing details of transactions with related parties who are members or investees of the Liberty International PLC group.

CSC LAKESIDE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. Turnover and net property investment income

Turnover arose in the United Kingdom from continuing operations and in the opinion of the directors the company carries on only one class of business

	2006 £m	2005 £m
Rents receivable	55.1	50.8
Service charge and other income	9.9	8.6
Turnover	<u>65.0</u>	<u>59.4</u>
Outgoings	<u>(10.1)</u>	<u>(10.6)</u>
Net property investment income	<u>54.9</u>	<u>48.8</u>

The directors believe that the nature of the company's business is such that the analysis of costs required by the Companies Act 1985 is not appropriate. As required by the Act the directors have therefore adopted the above format so that costs are disclosed in a manner appropriate to the company's principal activity.

2. Net interest

	2006 £m	2005 £m
Interest payable		
Bank loan	31.8	30.3
Amounts due to group undertakings	18.3	26.8
Miscellaneous financing costs	4.5	4.5
	<u>54.6</u>	<u>61.6</u>
Interest receivable		
Other	-	(0.1)
Net interest	<u>54.6</u>	<u>61.5</u>

3. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation of £2.0 million (2005 loss £14.8 million) is arrived at after charging

	2006 £	2005 £
Auditors' remuneration – audit services	15,000	15,000
Directors' remuneration	nil	nil

There were no employees during the year (2005 nil)

CSC LAKESIDE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

4. Taxation

(a) Taxation charge for the financial year

The differences between the taxation charged for the year and the current standard rate of United Kingdom corporation tax (30%) are shown below

	2006 £	2005 £
Loss on ordinary activities before taxation	<u>(2 0)</u>	<u>(14 8)</u>
Current United Kingdom corporation tax at 30% (2005 30%)	(0 6)	(4 4)
Effects of		
Prior year items	(0 3)	-
Capital allowances	(0 8)	(0 9)
Transfer pricing adjustment	0 5	3 4
Group relief	1 2	1 9
REIT entry charge	<u>25 9</u>	<u>-</u>
Total current taxation	25 9	-
Deferred taxation	<u>(19 7)</u>	<u>1 0</u>
Taxation on loss on ordinary activities	<u>6 2</u>	<u>1 0</u>

(b) Factors affecting future tax charge

The ultimate parent company has notified HM Revenue & Customs of its intention to become a REIT with effect from 1 January 2007, and HM Revenue & Customs confirmed that this notification had been validly made. Consequently, the majority of the company's profits should no longer be subject to UK corporation tax.

The conversion to a REIT status at the end of the year resulted in the reversal of the deferred tax in respect of capital allowances previously included in the company's balance sheet, and the provision for the payment of the entry charge.

CSC LAKESIDE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

5. Investment property

Completed properties at independent valuation	Freehold £
At 31 December 2005	1,165 3
Additions	7 6
Surplus on valuation	<u>125 7</u>
At 31 December 2006	<u>1,298 6</u>

The company's interests in investment and development properties were valued at 31 December 2006 by independent, RICS qualified external valuers in accordance with the Appraisal and Valuation Manual of RICS, on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller.

The historic cost of completed investment properties was £948.4 million (2005 £940.8 million). In accordance with the company's accounting policy and Statement of Standard Accounting Practice 19, no depreciation has been charged in respect of the freehold or long leasehold investment properties. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Completed properties represent Lakeside Shopping Centre, Thurrock.

6. Debtors

	2006 £m	2005 £m
Rents receivable	3.3	1.8
Amounts due from group undertakings	-	0.6
Corporation tax recoverable	1.0	1.0
Other debtors	0.3	0.1
Prepayments and accrued income	<u>8.3</u>	<u>9.2</u>
	<u>12.9</u>	<u>12.7</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand. The company has given an undertaking that amounts due from group undertakings will not be requested to be paid unless sufficient funds are available in the group undertakings to repay all other creditor balances.

CSC LAKESIDE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

7. Creditors: amounts falling due within one year

	2006 £m	2005 £m
Bank loan due 2011 (note 8)	5.5	1.4
Amounts due to immediate parent company	161.1	442.1
Amounts due to group undertakings	-	3.7
Other taxation and social security	2.3	2.1
Other creditors	4.1	0.8
Rents receivable in advance	14.0	12.4
Accruals and deferred income	8.6	9.1
	<u>195.6</u>	<u>471.6</u>

Amounts due to the immediate parent company and group undertakings are unsecured, repayable on demand and subordinated to the bank loan (note 8). Interest on amounts due to group undertakings has been charged at a rate of 6.5 per cent per annum (2005 6.5%) and the total interest payable amounted to £18.3 million (2005 £26.8 million).

The immediate parent company and group undertakings have given an undertaking that repayment of amounts owing to them will not be demanded in priority to any other liabilities of the company and unless appropriate funds are available to repay the liabilities and meet the terms of all other creditors.

8. Creditors: amounts falling due after more than one year

	2006 £m	2005 £m
Bank loan due 2011 (note 7)	639.7	547.5
Other creditors	22.7	-
	<u>662.4</u>	<u>547.5</u>

The loan is stated at the fair value of the consideration received after deduction of unamortised costs of £0.9 million (2005 £1.1 million). Amounts due to the immediate parent company and group undertakings are subordinate to the bank loan.

9 Provisions for liabilities and charges

	Deferred taxation £m
At 31 December 2005	19.7
Charged to the profit and loss account	<u>(19.7)</u>
At 31 December 2006	<u>-</u>

CSC LAKESIDE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

10. Share capital

	2006 £	2005 £
Authorised		
196,500,000 ordinary shares of £1 each (2005 100 ordinary shares of £1 each)	<u>196,500,000</u>	<u>100</u>
Issued, called up and fully paid		
196,044,100 ordinary shares of £1 (2005 1 ordinary share of £1)	<u>196,044,100</u>	<u>1</u>

During the year the authorised share capital was increased to 196,500,000 shares by the creation of 196,499,900 additional ordinary shares of £1 each

Also during the year, the company issued 196,044,099 shares at nominal value of £196,044,099

11. Reserves

	Revaluation reserve £m	Profit and loss account £m	Total £m
At 31 December 2005	224 5	(83 9)	140 6
Retained loss	-	(8 2)	(8 2)
Increase in valuation of investment properties	<u>125 7</u>	<u>-</u>	<u>125 7</u>
At 31 December 2006	<u>350 2</u>	<u>(92 1)</u>	<u>258 1</u>

12 Capital commitments

	2006 £m	2005 £m
At 31 December the estimated amounts of commitments for future capital expenditure were		
Contracted but not provided for	<u>6 0</u>	<u>1 4</u>

13. Ultimate parent company

The ultimate parent company is Liberty International PLC, a company incorporated and registered in England and Wales, copies of whose accounts may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT. The immediate parent company is Capital Shopping Centres PLC, a company incorporated and registered in England and Wales, copies of whose accounts may be obtained as above.