DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004



DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	P J Goswell T Haden-Scott J W J Ritblat C B Wagman
Secretary	G S Jones
Company number	4517621
Registered office	40 Portman Square London W1H 0AA
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Business address	40 Portman Square London W1H 0AA

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

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DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2004

The directors present their report and financial statements for the year ended 31 March 2004.

Principal activities
The principal activity of the group is that of the provision of advisory services to real estate companies.

Results and dividends
The profit for the year, after taxation, amounted to £807,691.

The directors do not recommend payment of an ordinary dividend.

Directors and their interests
The following directors have held office since 1 April 2003:

P J Goswell	
T Haden-Scott	(Appointed 5 June 2003)
J W J Ritblat	
C B Wagman	(Appointed 5 June 2003)

None of the directors had any interest in the share capital of the company at the beginning or end of the year.

Auditors
In accordance with section 385 of the Companies Act 1985, a resolution proposing that Ernst & Young LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

By order of the board

G S Jones
Secretary
6 September 2004

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2004

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 group and of the profit or loss of the group 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;

-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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and Group Cash Flow Notes, and the related notes 1 to 15. 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 opinions we have formed.

Respective responsibilities of the 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 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 group 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.

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 affairs of the company and group as at 31 March 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
6 September 2004

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £	Period from 22 August 2002 to 31 March 2003 £
Turnover	2	4,368,739	-
Administrative expenses		(3,201,290)	-
Operating profit	3	1,167,449	-
Other interest receivable and similar income		5,878	-
Profit on ordinary activities before taxation		1,173,327	-
Tax on profit on ordinary activities	4	(365,636)	-
Profit on ordinary activities for the year	11	807,691	-

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

BALANCE SHEETS
AS AT 31 MARCH 2004

	Notes	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Fixed assets					
Tangible assets	6	114,736	-	114,736	-
Investments	7	50,000	-	50,001	-
		164,736	-	164,737	-
Current assets					
Debtors	8	517,024	1	517,024	1
Cash at bank and in hand		1,713,700	-	1,713,700	-
		2,230,724	1	2,230,724	1
Creditors: amounts falling due within one year	9	(1,587,768)	-	(1,587,769)	-
Net current assets		642,956	1	642,955	1
Total assets less current liabilities		807,692	1	807,692	1
Capital and reserves					
Called up share capital	10	1	1	1	1
Profit and loss account	11	807,691	-	807,691	-
Shareholders' funds - equity interests	12	807,692	1	807,692	1

The financial statements were approved by the Board on 6 September 2004

C B Wagman
Director

I W J Ritblat
Director

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2004

		2004		Period from 22 August 2002 to 31 March 2003
	£	£	£	£
Net cash inflow/(outflow) from operating activities		1,895,658		(1)
Returns on investments and servicing of finance				
Interest received	5,878		-	
Net cash inflow from returns on investments and servicing of finance		5,878		-
Capital expenditure and financial investment				
Payments to acquire tangible assets	(137,836)		-	
Payments to acquire investments	(50,000)		-	
Net cash outflow from capital expenditure and financial investment		(187,836)		-
Net cash inflow/(outflow) before financing		1,713,700		(1)
Financing				
Issue of ordinary share capital	-		1	
Net cash inflow from financing		-		1
Increase in cash in the year		1,713,700		-

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

NOTES TO THE GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2004

1 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2004 £	Period from 22 August 2002 to 31 March 2003 £
Operating profit	1,167,449	-
Depreciation of tangible assets	23,100	-
Increase in debtors	(517,023)	(1)
Increase in creditors within one year	1,222,132	-
Net cash inflow/(outflow) from operating activities	1,895,658	(1)

2 Analysis of net funds

	1 April 2003 £	Cash flow £
Net cash:		
Cash at bank and in hand	-	1,713,700
Net funds	-	1,713,700

3 Reconciliation of net cash flow to movement in net funds

	2004 £	Period from 22 August 2002 to 31 March 2003 £
Increase in cash in the year	1,713,700	-
Movement in net funds in the year	1,713,700	-
Opening net funds	-	-
Closing net funds	1,713,700	-

DELANCEY REAL ESTATE ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in accordance with applicable accounting standards.

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking drawn up to 31 March each year.

The results of subsidiaries acquired or sold during the year are included in the profit and loss account from, or up to, the date control passes. No profit and loss account is presented for the company as permitted by section 230 of the companies Act 1985.

1.3 Turnover

Turnover represents fees receivable for services provided, net of VAT.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	over 3 to 5 years
Motor vehicles	over 5 years

Impairment reviews are undertaken when indications of possible impairment are noted.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

1 Accounting policies **(continued)**

1.7 Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have ocurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2004	Period from 22 August 2002 to 31 March 2003
	£	£
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	23,100	-
Auditors' remuneration	5,000	-
Remuneration of auditors for non-audit services	1,000	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

4 Taxation

	2004 £	Period from 22 August 2002 to 31 March 2003 £
UK corporation tax		
Current tax on income for the year	365,636	-
Current tax charge	365,636	-
Factors affecting the current tax charge for the year		
Profit on ordinary activities before taxation	1,173,327	-
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	351,998	-
Effects of:		
Non deductible expenses	13,638	-
Current tax charge	365,636	-

5 Profit on ordinary activities after taxation

As permitted by section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements. Of the profit on ordinary activities after taxation, a profit of £807,691 (2003 : nil) is dealt with in the financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

6 Tangible fixed assets

	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£
Group and company			
Cost			
At 1 April 2003	-	-	-
Additions	72,274	65,562	137,836
At 31 March 2004	72,274	65,562	137,836
Depreciation			
At 1 April 2003	-	-	-
Charge for the year	13,266	9,834	23,100
At 31 March 2004	13,266	9,834	23,100
Net book value			
At 31 March 2004	59,008	55,728	114,736
At 31 March 2003	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

7 Fixed asset investments

	Unlisted investments £
Group	
Cost	
At 1 April 2003	-
Additions	50,000
At 31 March 2004	50,000

Unlisted investments comprise an investment in a company engaged in management services.

	Shares in group undertakings £	Unlisted investments £	Total £
Company			
Cost			
At 1 April 2003	-	-	-
Additions	1	50,000	50,001
At 31 March 2004	1	50,000	50,001

The principal subsidiaries of which the company holds 100% of the issued ordinary share capital are as follows:

Company	Principal activity	Shares held	
		Class	%
Subsidiary undertakings			
Delancey Real Estate Asset Management Group Limited	Dormant	Ordinary	100

The company is incorporated in England and Wales.

8 Debtors

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	385,728	-	385,728	-
Other debtors	9,309	1	9,309	1
Prepayments and accrued income	121,987	-	121,987	-
	517,024	1	517,024	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

9 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	76,798	-	76,798	-
Corporation tax	365,636	-	365,636	-
Other taxes and social security costs	287,969	-	287,969	-
Other creditors	100	-	101	-
Accruals and deferred income	857,265	-	857,265	-
	1,587,768	-	1,587,769	-

10 Share capital

	2004	2003
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

11 Statement of movements on profit and loss account

	Profit and loss account
	£
Group and company	
Retained profit for the year	807,691

12 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Group and company		
Profit for the financial year	807,691	-
Proceeds from issue of shares	-	1
Net addition to shareholders' funds	807,691	1
Opening shareholders' funds	1	-
Closing shareholders' funds	807,692	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

13 Directors' emoluments

	2004 £	Period from 22 August 2002 to 31 March 2003 £
Emoluments for qualifying services	1,176,801	-
Company pension contributions to money purchase schemes	39,617	-
	1,216,418	-

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	378,117	-
Company pension contributions to money purchase schemes	12,651	-

14 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	Period from 22 August 2002 to 31 March 2003 Number
Administrative	28	2

Employment costs

	£	£
Wages and salaries	2,010,062	-
Social security costs	287,781	-
Other pension costs	143,397	-
	2,441,240	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2004

15 Control

The ultimate parent company of the company is Delancey Real Estate Partners Limited which is registered in the British Virgin Islands. Delancey Real Estate Partners Limited has a 100% interest in the equity capital of Delancey Real Estate Asset Management Limited as at 31 March 2004.

The ultimate controlling party is J W J Ritblat.