

Lunar Sea Holdings Limited
Annual report
from the date of incorporation to the 30 June 2004



Lunar Sea Holdings Limited

Annual report from the date of incorporation to 30 June 2004

	Pages
Directors and advisers	1
Directors' report	2 - 3
Independent auditors' report	4
Consolidated profit and loss account	5
Statements of total recognised gains and losses, and note of historical cost profits and losses	6
Consolidated balance sheet	7
Company balance sheet	8
Notes to the financial statements	9 - 17

Directors and advisers

Directors

Tyrone Allard
John Barrett

Secretary

Tyrone Allard

Registered office

Victoria House
Southampton Row
London
WC1B 4DA

Bankers

Natwest
Bishopsgate
PO Box 34
15 Bishopsgate
London

Ulster Bank
Business and Corporate Banking
Ulster Bank Group Centre
George's Quay
Dublin 2

Registered auditors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Directors' report for the period ended 30 June 2004

The directors present their report and the audited financial statements for the period ended 30 June 2004.

Principal activities

The main activity of the group is the letting of property.

Review of business and future developments

The directors are satisfied with the group's financial position.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5. No interim dividend was paid during the period. The directors do not recommend the payment of a final dividend..

Political and charitable donations

There were no political or charitable donations made by the group during the period.

Directors and their interests

The directors who served during the period are shown on page 1. None of the directors held any beneficial interest in the shares of the company during the period and their interests in the shares of the group are disclosed in the accounts of the parent company.

Disabled employees

In dealing with application for employment from the disabled or where individuals become disabled whilst in the company's employment, every reasonable effort is made to provide opportunities for them having regard to the ability of the individuals concerned, and to provide training and other appropriate facilities.

Fixed Assets

The company's and group's investment properties are carried in the accounts at a directors' valuation. This represents, in the opinion of the directors, the market value of the asset.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs 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;
- 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 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.

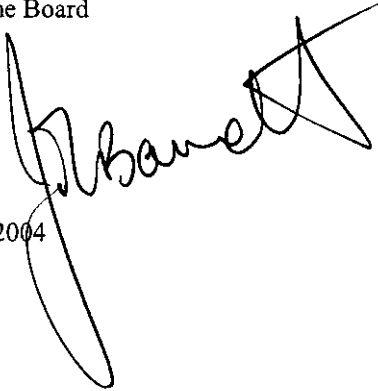
Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

J Barrett
Director

3 November 2004

A handwritten signature in black ink, appearing to read 'J Barrett', is written over the printed name and title. The signature is stylized with a large, sweeping loop at the end.

Independent auditors' report to the members of Lunar Sea (UK) Limited

We have audited the financial statements, which comprise the consolidated profit and loss account, the balance sheets, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 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 is not disclosed.

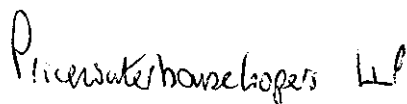
Basis of audit opinion

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 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 the group at 30 June 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.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Belfast

3 November 2004

Consolidated profit and loss account From the date of incorporation to 30 June 2004

	Notes	8 months to 30 June 2004 £
Turnover		
Continuing operations	2	1,759,288
Acquisition	2	6,691,173
		8,450,461
Cost of sales		(737,268)
Gross profit		7,713,193
Net operating expenses	3	(250,977)
Operating profit		7,462,216
Profit on sale of investment property	4	1,875,505
Other interest receivable		274,357
Interest payable and similar charges	6	(7,468,199)
Profit on ordinary activities before taxation	7	2,143,879
Tax on profit on ordinary activities	8	138,245
Profit on ordinary activities after taxation		2,282,124
Equity minority interests		(695,042)
Profit for the financial year		1,587,082
Dividends		-
Retained profit for the financial year		1,587,082

**Statement of group total recognised gains and losses
from the date of incorporation to 30 June 2004**

	8 months to 30 June 2004 £
Profit for the financial year	1,587,082
Unrealised surplus on revaluation of properties	2,739,505
Total recognised losses relating to the year	4,326,587

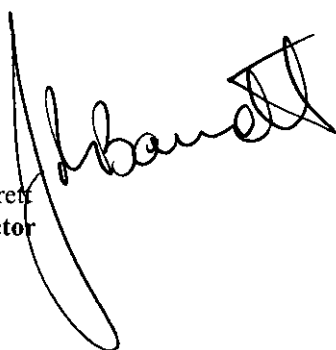
**Note of group historical cost profits and losses
from the date of incorporation to 30 June 2004**

	8 months to 30 June 2004 £
Reported profit on ordinary activities before taxation	2,143,879
Realisation of property revaluation gains of previous years	-
Difference between historical cost depreciation charge and the actual charge for the period calculated on the revalued amount	-
Historical cost (loss)/profit for the year before taxation	2,143,879
 Historical cost (loss)/profit for the year after taxation, minority interests and interest on capital	 1,587,082

Consolidated balance sheet as at 30 June 2004

	Notes	2004 £'000
Fixed assets		
Tangible assets	10	245,666,937
Intangible assets	12	1,382,251
		247,049,188
Current assets		
Debtors	13	8,766,046
Cash at bank and in hand		17,490,591
		26,256,637
Creditors: amounts falling due within one year	14	(93,306,778)
Net current liabilities		(67,050,141)
Total assets less current liabilities		179,999,047
Creditors: amounts falling due after more than one year	15	(174,745,972)
Provisions for liabilities and charges	16	(99,024)
Net assets		5,154,051
Capital and reserves		
Called up share capital	17	1
Profit and loss account	18	1,587,082
Revaluation reserve	19	2,739,505
Equity shareholders' funds	20	4,326,588
Equity minority interest	28	827,463
Capital employed		5,154,051

The financial statements on pages 5 to 17 were approved by the board on 3 November 2004 and were signed on its behalf by:

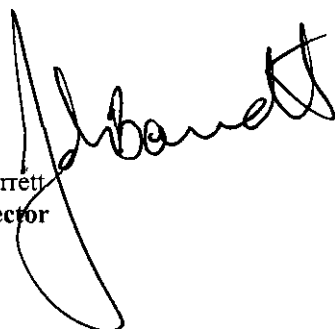

 J Barrett
 Director

Balance sheet as at 30 June 2004

	Notes	2004 £
Fixed assets		
Tangible assets	10	-
Investments	11	31,509,685
		31,509,685
Current assets		
Debtors	13	65,539,373
Cash		1,651
		65,541,024
Creditors: amounts falling due within one year	14	(76,436,157)
Net current assets		(10,895,133)
Total assets less current liabilities		20,614,552
Creditors: amounts falling due after more than one year	15	(20,962,766)
Net assets		(348,214)
Capital and reserves		
Called up share capital	17	1
Share premium		-
Profit and loss account	18	(348,215)
Equity shareholders' funds	20	(348,214)

The financial statements on pages 5 to 17 were approved by the board on 3 November 2004 and were signed on its behalf by:

J Barrett
Director



Notes to the financial statements from the date of incorporation to 30 June 2004

1 Accounting policies

The accounts have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The significant accounting policies adopted are set out below. The directors consider that these accounting policies set out below are suitable, have been consistently applied and are supported by reasonable judgements and estimates.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company to 30 June 2004 and of its subsidiary undertakings made up 30 June 2004. Intra-group sales and profits are eliminated fully on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is amortised over a period of 20 years.

Investment properties

In accordance with SSAP 19, investment properties are stated in the balance sheet at open market value. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirements of the Companies Acts are to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

The company's investment properties are valued on an open market existing use basis by professional valuers at least every five years with an interim valuation at least every three years in accordance with FRS 15, 'Tangible Fixed Assets'. These revaluations are incorporated in the financial statements and the gains arising thereon are recognised in the statement of total recognised gains and losses. Revaluation losses that are caused by a consumption of economic benefits are recognised in the profit and loss account. Other revaluation losses are recognised in the statement of total recognised gains and losses until the carrying amount of the net assets reaches its depreciated historical cost and thereafter losses are recognised in the profit and loss account.

Turnover

Turnover represents the invoiced value of rental income during the period excluding value added tax and amortisation of tenant incentives.

Incentives

UITF 28 "Operating Lease Incentives" has been adopted by the company. The aggregate cost of incentives has been treated as a reduction of rental income and allocated to the profit and loss account over the shorter of the lease term and the period ending on a date from which it is expected the prevailing market rental will be payable. The allocation has been made on a straight line basis.

Investments

Dividends from investments are included in the profit and loss account of the accounting period in which they are received. Deposit interest is included in the profit and loss account on a receivable basis.

Deferred taxation

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements. Deferred tax assets and liabilities recognised have not been discounted.

1 Accounting policies (continued)

Cash flow statement

No cash flow statement has been prepared as the company is exempt from the requirements of Financial Reporting Standard 1 (Revised) to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary undertaking of a parent which produces a consolidated cash flow statement.

2 Analysis of turnover and results

Turnover and results relate to the company's main activity which is carried out in the United Kingdom.

3 Net operating expenses

	Period ended 30 June 2004 £
General administrative expenses	287,911
Amortisation of goodwill	(36,934)
Total administrative expenses	250,977
Less: other operating income	-
Total net operating expenses	250,977

4 Exceptional item

The exceptional item represents profits earned on the disposal of investment properties. The transaction is considered exceptional by virtue of it's size and incidence. The tax impact of this transaction is £Nil

5 Directors' emoluments

None of the directors received any remuneration in respect of their services to the company.

6 Interest payable and similar charges

	Period ended 30 June 2004 £
On bank overdraft and loans	1,240,084
Other interest	6,228,115
	7,468,199

7 Profit on ordinary activities before taxation

Period
ended
30 June 2004
£

Profit on ordinary activities before taxation is stated after crediting:

Profit on sale of tangible fixed assets	(1,875,505)
And after charging:	
Amortisation of goodwill	62,366
Auditors remuneration for:	
Group audit fees, of which the company was £4,000	30,000
Other services - group auditors, in relation to acquisitions and tax services	-

8 Tax on profit on ordinary activities

Period
ended
30 June 2004
£

Current tax:

UK corporation tax at 30%	
Adjustment in respect of previous periods	(5,146)
Total current tax	(5,146)

Deferred tax:

Current year	(133,099)
Tax on profit on ordinary activities	(138,245)

The current tax assessed for the year is higher than that derived from the standard rate of corporation tax in the UK of 30%.
The differences are explained below:

Period
ended
30 June 2004
£

Profit on ordinary activities before tax	2,143,879
Profit on ordinary activities multiplied by standard rate in the UK 30%	643,164
Effects of:	
Expenses not deductible for tax purposes	(803,909)
Accelerated capital allowances and other timing differences	160,745
Adjustments in respect of previous periods	(5,146)
Current tax charge for the period	(5,146)

9 (Loss) for the financial year

The Company's profit and loss account has not been included in these financial statements. Of the profit for the financial year a loss of £348,215 is dealt with in the financial statements of the Company.

10 Tangible fixed assets

Group	Investment Properties £
Valuation	
Additions	43,681,937
Acquisition (note 21)	223,600,000
Disposals	(21,615,000)
At 30 June 2004	245,666,937

Company	Investment Properties £
Valuation	
Additions	-
At 30 June 2004	-

11 Fixed asset investments

Company	Subsidiary undertakings £	Total £
Cost		
Additions	31,509,685	31,509,685
Disposals	-	-
At 30 June 2004	31,509,685	31,509,685

Interests in principal group undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by Group %	Company %
Lunar Sea Developments (UK) Limited	United Kingdom	Ordinary Shares	-	100
Lunar Sea UK Limited	United Kingdom	Ordinary Shares	-	100
Lunar Sea Properties Limited	United Kingdom	Ordinary Shares	-	100
Denham Park Limited	United Kingdom	Ordinary Shares	-	70
Victoria House ⁽¹⁾	United Kingdom	Ordinary Shares	100	-

⁽¹⁾ Victoria House is a 100% subsidiary of Lunar Sea Properties Limited

The above companies whose operations relate to the group's principal activities operated principally in their countries of incorporation.

12 Intangible assets - goodwill

Cost	Group £
Acquisition (note 21)	1,462,551
At 30 June 2004	1,462,551
Amortisation	£
Amortisation in the year	80,300
At 30 June 2004	80,300
Net book value	
At 30 June 2004	1,382,251

The Company has carried out an impairment review of goodwill arising on previous acquisitions in accordance with Financial Reporting Standard No.11 "Impairment of Fixed Assets and Goodwill", to ensure that goodwill is stated at no more than its recoverable amount represented by the higher of net realisable value and value in use.

13 Debtors

	Group 2004 £	Company 2004 £
Amounts falling due after more than one year		
Other debtors	2,173,951	-
Amounts falling due within one year		
Trade debtors	1,329,852	-
Amounts owed by group undertakings	-	65,539,373
Other debtors	7,436,194	-
	8,766,046	65,539,373

14 Creditors: amounts falling due within one year

	Group 2004 £	Company 2004 £
Bank term loan	29,936,276	16,100,000
Trade creditors	343,581	-
Amount owed to group undertakings	49,647,714	60,015,284
Other taxation and social security	702,391	19,373
Accruals and deferred income	12,676,816	301,500
	93,306,778	76,436,157

15 Creditors: amounts falling due after more than one year

	Group 2004 £	Company 2004 £
Bank term loans	168,245,972	14,462,766
Amounts owed to group undertakings	6,500,000	6,500,000
	174,745,972	20,962,766
Loans		
Repayable in one year or less, or on demand	29,936,276	16,100,000
Repayable between one and two years	28,405,922	-
Repayable between two and five years	44,174,318	-
Repayable after five years	102,365,732	14,462,766
	204,882,248	30,562,766

In addition to the strict capital and interest element there are also unamortized issue costs of £449,230 that are released and credited to the profit and loss account at a rate of £88,000 per annum

The loans with Norwich Union are secured by a first charge on the group's investment properties and carry interest at fixed rates varying between 1.5%, 1.55% and 2% above the gross redemption yield on Treasury 7.5% 2006 stock, Treasury 8% 2013 stock and Norwich Union base lending rate for periods varying between two, three and fourteen years. Repayment is not due before the termination dates as set out the various loan agreements.

The loan from Moritz Holdings Limited, the parent company, carries interest at 3%, and is repayable following the disposal of properties, with a final repayment date no later than 7 April 2017.

The loan with AIB is secured by a charge over the shares of Victoria House and Lunar Sea Properties.

The loan with Ulster Bank is secured by;

- a debenture over the fixed and floating assets of the company
- a debenture over the fixed and floating assets of the borrower
- FLM over 4 office properties

16 Provisions for liabilities and charges

	Deferred Taxation provision £
Group	
Profit and loss account	-
Acquisition (note 21)	99,024
At 30 June 2004	99,024

16 Provisions for liabilities and charges (continued)

Deferred taxation

An analysis of the provision and of the full potential liability/(asset) is as follows:

	Amount provided 2004 £
Group	
Accelerated capital allowances	99,024
Other timing differences	-
Total provision for deferred tax	99,024

17 Called up share capital

	2004 £
Authorised	
Ordinary shares of £1 each	1
Allotted and fully paid	
Ordinary shares of £1 each	1

During the year one ordinary £1 share was issued at par.

18 Profit and loss account

	Group £	Company £
Profit/(loss) for the period	1,587,082	(348,215)
Opening profit and loss reserve	-	-
Closing profit and loss reserve	1,587,082	(348,215)

19 Revaluation reserve

	Group £
Revaluation in the year	2,739,505
At 30 June 2004	2,739,505

20 Reconciliation of movements in shareholders' funds

	Group £
Share capital subscribed	1
(Loss)/profit for the financial year	1,587,082
Revaluation	2,739,505
At 30 June 2004	4,326,588

21 Acquisition

During the period the group acquired Victoria House and 70% of Denham Park Limited. The following disclosures relate to net assets of both companies acquired. The directors consider that the book value of the assets acquired represented fair value:

	Book and fair value of Victoria House £	Book and fair value of Denham Park Limited £
Tangible assets (cost)	148,451,014	69,500,000
Intangible assets	-	573,942
Debtors	1,648,886	810,010
Cash	-	1,329,006
Creditors due in less than one year	(140,208,073)	(71,957,107)
Provisions for liabilities and charges	-	(99,024)
	9,891,827	156,827
Goodwill	888,609	-
	10,780,436	156,827
Consideration, paid in cash	4,140,999	100,000
Deferred consideration	4,000,000	-
	8,140,999	100,000
Costs of acquisition	2,639,437	156,827
Total consideration	10,780,436	256,827

The purchase of Denham Park Limited was based on the net assets of the group as at 30 June 2003. At 30 June 2004 the property acquired for £69,500,000 had a carrying value of £47,885,000 due to a number of disposals within the Denham Park Limited group.

22 Minority interest

	2004 £
Share of pre-acquisition net assets	132,421
Share of profit of the subsidiary for the year	695,042
At 30 June 2004	827,463

23 Capital commitments

	Group 2004 £	Company 2004 £
Capital expenditure		
Contracted for but not provided in The financial statements	-	-

24 Financial commitments

	Group 2004 £	Company 2004 £
Expiring within one year	-	-
Expiring between two and five years inclusive	-	-

25 Related party disclosures

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 - "Related Party Disclosures" (FRS8). This exemption permits non-disclosure of related party transactions where 90% or more of the voting rights of a subsidiary company are controlled within the group, provided that the consolidated financial statements in which the subsidiary is included are publicly available.

26 Ultimate controlling party

The company's immediate parent company is Lunar Sea Developments Limited, a company incorporated in the Republic of Ireland, which owns 100% of the share capital.

The ultimate parent company is Moritz Holdings Limited, a company registered in the Republic of Ireland. The ultimate parent company was under the control of Michael Whelan, who was a director and shareholder throughout the period.