Company Registration Number: 1901392

CLIPPER INVESTMENTS LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2003

Taylor Woodrow

CLIPPER INVESTMENTS LIMITED

DIRECTORS' REPORT AND ACCOUNTS 2003

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CLIPPER INVESTMENTS LIMITED

REPORT OF THE DIRECTORS TO THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2003

The directors submit their annual report and the audited accounts of the company for the year ended 31 December 2003.

Directors

Messrs, J.D. Henderson, L.C. Parnell and R. Taylor were directors for the whole of the year under review, and to the date of this report.

Mr J.H. Brooks resigned as a director on 31 March 2003.

Mr A. Wilby was appointed as a director on 15 December 2003.

Activities

The company held a long leasehold interest in each of the properties known as International House, 1 St. Katharine's Way, London E1 and Commodity Quay, East Smithfield, London E1. These properties were charged to Capita IRG as security for the £100,000,000 9.5% First Mortgage Debenture Loan Stock 2014 issued by the ultimate parent company.

On 27 February 2004 the company contracted to sell its long leasehold interests. Legal completion occurred on 30 March 2004. It is not intended that the company will have any activities after this date, other than fulfilling obligations arising from the sale.

On 5 March 2004, the ultimate parent company issued notice to redeem the £100,000,000 9.5% First Mortgage Debenture stock 2014 on 6 April 2004.

Results and dividends

The results for the year ended 31 December 2003 are set out in the profit and loss account on page 5. The directors recommend that a dividend of £4,735,839 be paid in respect of the year ended 31 December 2003 (2002: £nil).

Election of directors

In accordance with the Articles of Association, directors do not retire by rotation.

Directors' interests in shares and loan capital of the company, its fellow subsidiaries, its parent and its ultimate parent company

Messrs. J.D. Henderson, R. Taylor and A. Wilby are also directors of Taylor Woodrow Property Company Limited and their interests in the shares of the ultimate parent company are shown in the report of the directors of Taylor Woodrow Property Company Limited.

REPORT OF THE DIRECTORS TO THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

Mr. L.C. Parnell is also a director of St Katharine by the Tower Limited and his interests in the shares of the ultimate parent company are shown in the report of the directors of St Katharine by the Tower Limited.

The directors have no interests in any other group companies.

Directors' interests in contracts

No director had any interest in any contract or arrangement of a material nature with the company, its fellow subsidiaries or its ultimate parent company during the year under review.

Auditors

On 1 August 2003, Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treat the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors has been passed.

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

J.P. Hastings
Secretary

27 SEP 2004

CLIPPER INVESTMENTS LIMITED

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

United Kingdom company law requires the directors to prepare accounts 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 accounts the directors are required to:

* select appropriate 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; and

* prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, taking such steps as are reasonably open to them to safeguard the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF

CLIPPER INVESTMENTS LIMITED

We have audited the financial statements of Clipper Investments Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the statement of historical cost profits and losses and the related notes 1 to 18. 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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

29 September 2004

CLIPPER INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

CONTINUING OPERATIONS	Notes	2003 £000	2002 £000
TURNOVER	2	13,721	12,277
Cost of sales		(5,629)	(5,507)
OPERATING PROFIT	3	8,092	6,770
Interest receivable		15	24
Bank Interest payable		-	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,107	6,793
Tax charge on profit on ordinary activities	5	(1,892)	(2,040)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		6,215	4,753
Equity dividend	6	(4,736)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	1,479	4,753

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£000	£000
Profit for the financial year	6,215	4,753
Unrealised deficit on revaluation of properties	(16,600)	(13,998)
Adjustment to net deficit on revaluation recognised in the year ended 31 December 2002	(420)	-
Total recognised gains or losses relating to the year	(10,805)	(9,245)

STATEMENT OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£000	£000
Reported profit on ordinary activities before taxation	8,107	6,793
(Reversal of) / realisation of property gains of previous years	(151)	151
Historical cost profit on ordinary activities before taxation	7,956	6,944
Historical cost profit on ordinary activities after taxation and dividends	1,328	4,904

CLIPPER INVESTMENTS LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

ASSETS EMPLOYED	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	7	80	116
Investment properties	8	90,100	106,700
		90,180	106,816
Current assets			
Debtors	10	66,881	56,932
Cash		1	-
		66,882	56,932
Creditors: amounts falling due within one year	11	(67,895)	(58,771)
Net current liabilities		(1,013)	(1,839)
Total assets less current liabilities		89,167	104,977
Provisions for liabilities and charges	12	(6,020)	(6,289)
		83,147	98,688
FINANCED BY			
Capital and reserves			
Called up share capital	13	70,000	70,000
Revaluation reserve	15	13,147	30,016
Profit and loss account	14	-	(1,328)
Equity shareholders' funds	16	83,147	98,688

The accounts were approved by the Board of Directors on 27 SEP 2004

Signed on behalf of the Board of Directors

Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING DEFINITIONS AND POLICIES

The following accounting definitions and policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of the accounts
The accounts are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention modified by the revaluation of certain properties.

Turnover
Turnover comprises gross rents receivable and the invoiced value of other sales.

Profit on ordinary activities for the year
Realised profits or losses on the disposal of tangible assets are included in trading and investment income; such profits are calculated by reference to the carrying value of the asset.

Other tangible fixed assets
Depreciation on plant is calculated on a straight line basis to write off the cost over the estimated useful lives which range from four to ten years.

Investment properties
In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. Any permanent impairment (or its reversal) in the value of investment properties below cost is charged (or credited) to the profit and loss account. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

1. ACCOUNTING DEFINITIONS AND POLICIES (continued)

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 on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. ANALYSIS OF TURNOVER

	Turnover	
	2003	2002
	£000	£000
By activity and market		
Property development and investment within the United Kingdom	13,721	12,277

3. OPERATING PROFIT

	2003	2002
	£000	£000
Operating profit includes:		
Rents on investment properties less outgoings	8,092	6,771
and is after charging:		
Depreciation	36	36
Auditors' remuneration for audit services	-	-

Auditors' remuneration costs were borne by the immediate parent company.

4. DIRECTORS AND EMPLOYEES

No director received any emoluments from the company during the year (2002: £nil).

The company has no employees (2002: Nil).

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2003 £000	2002 £000
United Kingdom corporation tax at 30% (2002 : 30%)	2,158	1,990
Deferred tax	27	57
	2,185	2,047
Prior year		
Corporation tax	3	(7)
Deferred tax	(296)	-
	1,892	2,040

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge of the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2003 £000	2002 £000
Profit before tax per profit and loss account	8,107	6,793
Tax on profit at 30%	2,432	2,038
Disallowable expenditure	14	9
Non taxable income	(260)	-
Adjustment in respect of prior years	3	(7)
Capital allowances in excess of depreciation	(38)	(57)
Short term timing differences	10	-
Corporation tax charge for the year	2,161	1,983

6. EQUITY DIVIDEND ON ORDINARY SHARES

	2003 £000	2002 £000
Proposed final dividend of 6.765p per share (2002: nil pence per share)	4,736	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

7. TANGIBLE FIXED ASSETS

	Plant £000
COST	
1 January and 31 December 2003	381
DEPRECIATION	
1 January 2003	265
Charge for year	36
31 December 2003	301
NET BOOK VALUE	
31 December 2003	80
31 December 2002	116

8. INVESTMENT PROPERTIES

	Long Leasehold £000
COST AND VALUATION	
1 January 2003	106,700
Net deficit on valuation	(16,600)
31 December 2003	90,100
REPRESENTING:	
Properties valued:	
- cost	76,684
- net surplus	13,416
Valuation at 31 December 2003	90,100
Valuation at 31 December 2002	106,700

These interests have been charged as security on the £100,000,000 9.5% First Mortgage Debenture stock 2014 issued by the ultimate parent company to Capita IRG plc.

On 5 March 2004, the ultimate parent company issued notice to redeem the £100,000,000 9.5% First Mortgage Debenture stock 2014 on 6 April 2004.

The investment properties were valued at £90,100,000 as at 31 December 2003 (2002: £106,700,000) by Knight Frank LLP, external Chartered Surveyors, on a market value basis in accordance with the Appraisal and Valuation Standards (5th Edition) of the Royal Institution of Chartered Surveyors.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003
(continued)

9. FUTURE CAPITAL EXPENDITURE NOT PROVIDED FOR IN THE ACCOUNTS	2003 £000	2002 £000
Contracts placed	-	575

10. DEBTORS	2003 £000	2002 £000
Trade debtors	2,108	1,589
Group undertakings - fellow subsidiaries	61,074	51,432
Other debtors	3,645	3,885
Prepayments and accrued income	54	26
	66,881	56,932

11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	2003 £000	2002 £000
Trade creditors	309	268
Group undertakings:		
- parent	42,013	40,615
- fellow subsidiaries	1,104	6
Taxation on profits	2,154	1,977
Other taxation and social security	1,970	437
Other creditors	13,278	13,234
Accruals and deferred income	2,331	2,234
Dividend	4,736	-
	67,895	58,771

12. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred taxation provided in the accounts are as follows and all relate to accelerated capital allowances:

	£000
1 January 2003	6,289
Released to profit and loss	(269)
31 December 2003	6,020

13. CALLED UP SHARE CAPITAL

	2003 £000	2002 £000
Authorised		
75,000,000 ordinary shares of £1 each (2002 : 75,000,000)	75,000	75,000
	£000	£000
Allotted, called up and fully paid		
70,000,000 ordinary shares of £1 each (2002 : 70,000,000)	70,000	70,000

14. RETAINED PROFIT AND LOSS ACCOUNT

	£000
1 January 2003	(1,328)
Profit for the year retained	1,479
Reversal of revaluation surplus recognised in the year ended 31 December 2002	(151)
31 December 2003	-

CLIPPER INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003
(continued)

15. REVALUATION RESERVE

	£000
1 January 2003	30,016
Reversal of revaluation surplus recognised in the year ended 31 December 2002	151
Adjustment to net deficit on revaluation recognised in the year ended 31 December 2002	(420)
Net deficit on property valuation	(16,600)
31 December 2003	13,147

The revaluation reserve comprises surpluses arising on revaluation of properties, which if realised at 31 December 2003 would have given rise to a maximum taxation liability of £nil (2002: £nil)

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £000	2002 £000
Profit for financial year	6,215	4,753
Dividend to parent company	(4,736)	-
Retained profit for the year	1,479	4,753
Net deficit on revaluation of investment properties	(16,600)	(13,998)
Adjustment to net deficit on revaluation recognised in the year ended 31 December 2002	(420)	-
Net decrease in shareholders' funds	(15,541)	(9,245)
Opening shareholders' funds	98,688	107,933
Closing shareholders' funds	83,147	98,688

17. RELATED PARTY DISCLOSURES AND ULTIMATE CONTROLLING COMPANY

The company's immediate parent company is St. Katharine By The Tower Limited and ultimate parent company and controlling entity is Taylor Woodrow plc, both of which are incorporated in Great Britain and registered in England and Wales.

The company has taken advantage of the exemption contained in FRS8 (Related Party Transactions) which allows it not to disclose transactions with group entities or investees of the group qualifying as related parties.

The largest undertaking for which group accounts are drawn up and of which the company is a member, is Taylor Woodrow plc. No other group accounts are prepared. Copies of the group accounts of Taylor Woodrow plc can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

18. POST BALANCE SHEET EVENT

On 27 February 2004 the company contracted to sell its investment properties for £101,933,372. The sale was completed on 30 March 2004. It has also guaranteed certain rental amounts to the purchasers over a five year period. The maximum amount payable by the company is £5,127,901.