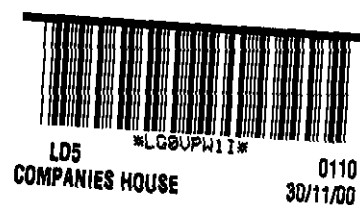


MILNER GROUP PROPERTIES LIMITED

REPORT AND ACCOUNTS FOR THE TEN MONTHS ENDED 31 MARCH 2000

Company Number: 3473064



MILNER GROUP PROPERTIES LIMITED

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MILNER GROUP PROPERTIES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts for the ten month period ended 31 March 2000.

Principal activities of the business

The principal activity of the company is that of an intermediate group holding company.

Results and dividends

The net profit for the ten month period ended 31 March 2000 before taxation was £27,988,379. The directors recommend a dividend payment of £24,873,049 for the period and this has already been paid through the inter-company accounts.

Directors

The directors who held office during the period were as follows:

	Appointed	Resigned
C.B. Wagman	3 November 1999	
J.W.J. Ritblat	3 November 1999	
G.A.J. Emmett	3 November 1999	
P.J. Goswell	3 November 1999	
D.J. Houghton		14 January 2000
S.R. Jaffe		14 January 2000
P.G. Lewis		21 January 2000
J.H. Ritblat		3 November 1999
T.P. Tidy		21 January 2000

No directors held shares in this company during the period. The interests of the directors in the shares of Delancey Estates PLC, the ultimate parent company, have been disclosed in that company's accounts.

MILNER GROUP PROPERTIES LIMITED

DIRECTORS' REPORT (continued)

Year 2000

The group has experienced no disruption or malfunctions since the turn of the year arising from its own systems or those of its agents.

The lack of disruption is attributed to:

- A thorough analysis of risks carried out to determine the impact of the Year 2000 problem.
- The consequential modifications to hardware and software that were carried out as a result of the analysis of risks.

Despite the above, there can be no guarantee that future disruption or malfunction will not occur.

Statement of directors' responsibilities

The directors are required by company law to prepare accounts for each financial year that 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 and loss for the period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the period ended 31 March 2000. The directors also confirm that applicable accounting standards have been followed and that they consider the company to be a going concern. The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



A.G. Moss

Secretary

November 2000

40 Queen Anne Street
London
W1M 0EL

MILNER GROUP PROPERTIES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF MILNER GROUP PROPERTIES LIMITED

We have audited the accounts on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

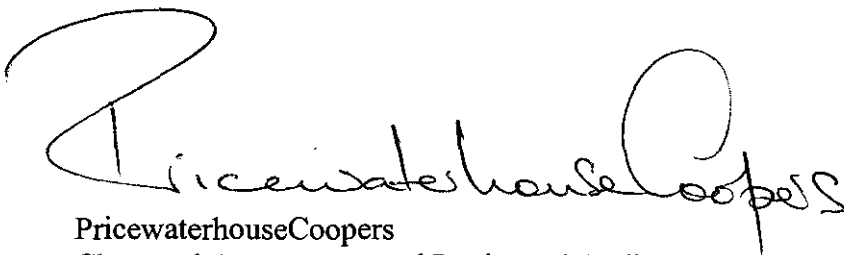
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

MILNER GROUP PROPERTIES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF MILNER GROUP PROPERTIES LIMITED (continued)

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 2000 and of its profit for the ten month period then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, reading "PricewaterhouseCoopers". The signature is written in a cursive, flowing style with large loops and is positioned above the printed name of the firm.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

30 November 2000

MILNER GROUP PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT

for the 10 month period ended 31 March 2000

	Note	10 months to 31 March 2000 £	17 months to 31 May 1999 £
Turnover		-	-
Administrative expenses		(412,522)	(500)
Write down of investments		(120,000)	-
Operating loss	2	<u>(532,522)</u>	<u>(500)</u>
Interest receivable and similar income	3	4,208,198	-
Dividends received		24,873,049	-
Interest payable and similar charges	4	<u>(560,346)</u>	<u>(39,507)</u>
Profit/(loss) on ordinary activities before taxation		27,988,379	(40,007)
Taxation on profit on ordinary activities	6	-	-
Profit/(loss) on ordinary activities after taxation		<u>27,988,379</u>	<u>(40,007)</u>
Dividend paid	7	(24,873,049)	-
Retained profit/(loss) for the financial period		<u>3,115,330</u>	<u>(40,007)</u>

All amounts relate to continuing activities.

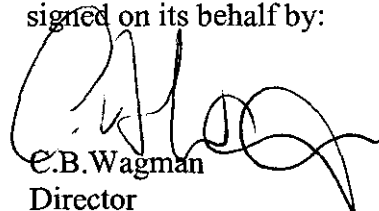
There were no recognised gains or losses for 2000 or 1999 other than those included in the profit and loss account.

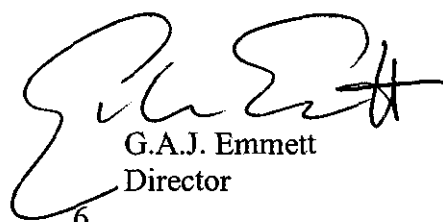
MILNER GROUP PROPERTIES LIMITED

BALANCE SHEET at 31 March 2000

	Note	31 March 2000 £	31 May 1999 £
Fixed assets			
Investments	8	<u>114,789,258</u>	<u>-</u>
Current assets			
Debtors	9	75,429,640	-
Investments	10	23,083	-
Cash at bank and in hand		<u>3,654,590</u>	<u>-</u>
		79,107,313	-
Creditors: amounts falling due within one year	11	<u>(65,736,722)</u>	<u>(40,006)</u>
Net current assets/liabilities		13,370,591	(40,006)
Total assets less current liabilities		128,159,849	(40,006)
Creditors: amounts falling due after more than one year	12, 13	(10,295,519)	-
Net assets/(liabilities)		<u><u>117,864,330</u></u>	<u><u>(40,006)</u></u>
Capital and reserves			
Share capital	14	57,394,504	1
Share premium account	15	57,394,503	-
Profit and loss account	15	<u>3,075,323</u>	<u>(40,007)</u>
Equity shareholders' funds	16	<u><u>117,864,330</u></u>	<u><u>(40,006)</u></u>

These accounts were approved by the board of directors on 6th November 2000 and were signed on its behalf by:


C.B. Wagman
Director


G.A.J. Emmett
Director

MILNER GROUP PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

for the period from 1 June 1999 to 31 March 2000

1 PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention modified by the revaluation of certain tangible assets, and in accordance with applicable Accounting Standards in the United Kingdom.

BASIS OF CONSOLIDATION

In accordance with section 228 of the Companies Act 1985, consolidated statements have not been presented as the company is a wholly owned subsidiary of Delancey Estates PLC, a company incorporated in England.

RELATED PARTY TRANSACTIONS

FRS 8 'Related party disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has taken advantage of the exemption under FRS8 not to disclose any transactions with entities that are part of the same group, qualifying as related parties. The consolidated accounts in which the company is included are publicly available.

FIXED ASSET INVESTMENTS

Investments held as fixed assets are stated at cost less provisions for impairment in value.

CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Delancey Estates PLC and the cash flow of the company is included in the consolidated cash flow statement of Delancey Estates PLC. Consequently, the company is exempt under the terms of FRS 1 (revised) from publishing a cash flow statement.

DEFERRED TAXATION

Deferred taxation is provided on all material timing differences to the extent that it is probable that a liability will crystallise.

MILNER GROUP PROPERTIES LIMITED

NOTES TO THE ACCOUNTS (continued) for the period from 1 June 1999 to 31 March 2000

2 OPERATING LOSS

	10 Months to 31 March 2000 £	17 months to 31 May 1999 £
The operating loss is stated after charging:		
Auditors' remuneration	<u>5,000</u>	<u>500</u>

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	10 Months to 31 March 2000 £	17 months to 31 May 1999 £
Intercompany loan interest	3,972,294	-
Bank interest	<u>235,904</u>	<u>-</u>
	<u>4,208,198</u>	<u>-</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	10 Months to 31 March 2000 £	17 months to 31 May 1999 £
Interest and bank charges	<u>560,346</u>	<u>39,507</u>

5 DIRECTORS AND EMPLOYEES

The average monthly number of employees, including directors, during the period was 4 (1999: 5). The employees received no remuneration.

6 TAXATION

No tax has been provided in the accounts due to the availability of group relief.

MILNER GROUP PROPERTIES LIMITED

NOTES TO THE ACCOUNTS (continued) for the period from 1 June 1999 to 31 March 2000

7 DIVIDENDS

	31 March 2000 £	31 May 1999 £
Interim dividend on equity shares		
Ordinary - 43.3 pence per share (1999: nil)	24,873,049	-
	<u>24,873,049</u>	<u>-</u>

8 FIXED ASSET INVESTMENTS

	Shares in group undertaking £
Cost	
At 1 June 1999	-
Additions	114,789,258
At 31 March 2000	<u>114,789,258</u>

A list of the principal operating undertakings of the company is given in Note 17. These companies were transferred to the company from Milner Estates Limited (formerly Milner Estates plc) in return for the issue of shares in the company to Milner Estates Limited as part of a group re-organisation in September 1999 (see Note 14).

9 DEBTORS

	31 March 2000 £	31 May 1999 £
Amounts due from group undertakings	75,179,721	-
Other taxes and social security	239,306	-
Other debtors	10,613	-
	<u>75,429,640</u>	<u>-</u>

MILNER GROUP PROPERTIES LIMITED

NOTES TO THE ACCOUNTS (continued) for the period from 1 June 1999 to 31 March 2000

10 CURRENT ASSET INVESTMENTS

	31 March 2000 £	31 May 1999 £
Investment in associated company	143,083	-
Less: Provision for impairment in value	(120,000)	-
	<u>23,083</u>	<u>-</u>

The above net asset represents an investment in a project management company.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2000 £	31 May 1999 £
Amounts due to group undertakings	65,505,651	34,636
Accruals and deferred income	231,071	5,370
	<u>65,736,722</u>	<u>40,006</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2000 £	31 May 1999 £
Bank loan	<u>10,295,519</u>	<u>-</u>

13 LOANS AND BORROWINGS

	31 March 2000 £	31 May 1999 £
Maturity of debt:		
Repayable in more than five years	<u>10,295,519</u>	<u>-</u>

The bank loan is repayable in full on 16 February 2009. Interest is payable at a rate of 3 months LIBOR plus a margin of 0.8%. The loan is secured by way of cross guarantee and debenture over the assets of certain of the company's subsidiary undertakings.

MILNER GROUP PROPERTIES LIMITED

NOTES TO THE ACCOUNTS (continued) for the period from 1 June 1999 to 31 March 2000

14 SHARE CAPITAL

On 11 October 1999, the company in extraordinary general meeting authorised the issue of 99,999,000 new ordinary shares of £1 each. On the same date 57,394,503 ordinary shares of £1 each were issued for a consideration of £114,789,006, satisfied by the transfer of the entire issued share capital of certain fellow subsidiaries from Milner Estates Limited (formerly Milner Estates plc) to Milner Group Properties Ltd.

	31 March 2000 £	31 May 1999 £
Authorised equity shares		
100,000,000 (1999: 1,000) ordinary shares of £1 each	<u>100,000,000</u>	<u>1,000</u>
Allotted, called up and fully paid equity shares		
57,394,504 (1999: 1) ordinary shares of £1 each	<u>57,394,504</u>	<u>1</u>

15 RESERVES

	Share premium account £	Profit and loss account £
At 1 June 1999	-	(40,007)
Profit for the period	-	3,115,330
Issue of shares	57,394,503	-
At 31 March 2000	<u>57,394,503</u>	<u>3,075,323</u>

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	10 Months to 31 March 2000 £	17 months to 31 May 1999 £
Profit/(loss) for the financial period	3,115,330	(40,007)
New share capital issued (including share premium)	114,789,006	1
Increase/(decrease) in shareholders' funds	<u>117,904,336</u>	<u>(40,006)</u>
Opening shareholders' funds	(40,006)	-
Closing shareholders' funds	<u>117,864,330</u>	<u>(40,006)</u>

MILNER GROUP PROPERTIES LIMITED

NOTES TO THE ACCOUNTS (continued) for the period from 1 June 1999 to 31 March 2000

17 SUBSIDIARIES

The principal operating undertakings of which the company owns 100% of the issued ordinary share capital (unless stated otherwise) are as follows:

PROPERTY COMPANIES

- 16/20 Manchester Square Limited
- Appfell Limited
- Aridgrove Limited
- CR Estates (No. 3) Limited
- CR Estates Limited
- Eperon Limited
- Five Oaks City Limited
- Five Oaks Developments Limited
- Five Oaks Projects Limited
- Five Oaks Properties Limited
- Five Oaks U.K. Limited
- Manchester Square Estates (London) Limited
- Milner (SMH) Limited
- Norwich Union Milner Retail Partnership (50%)
- Speciality Shops (Birkenhead) Limited
- Speciality Shops (Clapham) Limited
- Speciality Shops (Stortford) Limited
- Speciality Shops (Victoria) Limited
- Speciality Shops Limited

FINANCE, INVESTMENT & MANAGEMENT COMPANIES

- FC5 Limited
- Five Oaks Property Management Limited
- Milner (NU) Limited
- Norwich Union Milner (GP) Limited
- Speciality Shops Birkenhead Investments Limited
- Speciality Shops Management Limited
- Speciality Shops Victoria Investment Limited

MILNER GROUP PROPERTIES LIMITED

NOTES TO THE ACCOUNTS (continued) for the period from 1 June 1999 to 31 March 2000

18 IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate parent company is Milner Estates Limited (formerly Milner Estates PLC). The ultimate parent company of the company is Delancey Estates PLC which is registered in England and Wales. Delancey Estates PLC has a 100% interest in the equity capital of Milner Group Properties Limited at 31 March 2000. Copies of the parent's consolidated accounts may be obtained from The Secretary, Delancey Estates PLC, 40 Queen Anne Street, London W1M 0EL.

Quantum Realty Fund Limited and Tivadar Charitable Lead Trust dated 30 September 1982 are the company's ultimate controlling parties as defined by Financial Reporting Standard 8. However, under the terms of a shareholders' agreement dated 28 May 1998, Quantum Realty Fund Limited and Tivadar Charitable Lead Trust dated 30 September 1982 undertook not to inhibit the company from carrying on its business independently.