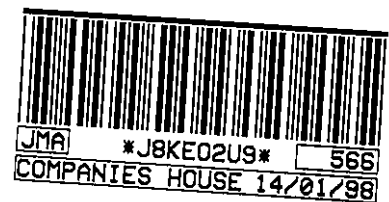


TRAFFORD CENTRE DEVELOPMENTS LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997**

COMPANY NUMBER 1231559



TRAFFORD CENTRE DEVELOPMENTS LIMITED

DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

Directors: John Whittaker
Robert E. Hough
Peter A. Scott
Paul P. Wainscott
Michael G. Butterworth
Nicholas M. Blake

Secretary: Paul P. Wainscott

Registered Office: Quay West
Trafford Wharf Road
Manchester M17 1PL

Auditors: Binder Hamlyn

Bankers: Barclays Bank Plc
Bank of Scotland

Solicitors: Stephenson Harwood, London
Berwin Leighton, London
Addleshaw Booth, Leeds

TRAFFORD CENTRE DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

for the year ended 31st March 1997

The directors submit their report together with the audited financial statements of the company for the year ended 31st March 1997.

Principal Activities

The principal activity of the company is property development.

Review of Business, Developments and Prospects

The company continues to develop The Trafford Centre, a regional shopping, leisure and sports complex in Manchester. Its other development activities have now been concluded.

Results and Dividends

The company's results and financial position are set out in the profit and loss account and balance sheet on pages 4 and 5.

An ordinary dividend of £60 per share was paid on 31st March 1997.

Fixed Assets

The market value of fixed assets is not materially different from the values in these accounts.

Directors and their interests in shares and financial instruments

The directors who held office during the year were:

# J. Whittaker	M.G. Butterworth
# R.E. Hough	N.M. Blake
# P.A. Scott	
# P.P. Wainscott	

The directors had no interests in the share capital of the company.

The above directors are also directors of the intermediate holding company, Peel Holdings p.l.c., in whose accounts their beneficial interests in the shares and financial instruments of that company, companies within the Peel Holdings p.l.c. group and the ultimate holding company, Tokenhouse Holdings Limited, are disclosed.

M.G. Butterworth has no interests in the share capital of any group company. N.M. Blake holds a beneficial interest in 54,000 options (1996: 54,000) on ordinary shares in Peel Holdings p.l.c. He has no other interests in the shares of any group company.

Directors' Responsibilities

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 profit and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

TRAFFORD CENTRE DEVELOPMENTS LIMITED

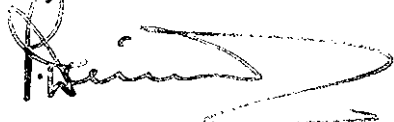
REPORT OF THE DIRECTORS (continued)
for the year ended 31st March 1997

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.

Payments Policy

In the absence of dispute, amounts to trade and other suppliers are settled as expeditiously as possible within their terms of payment.

By Order of the Board

A handwritten signature in dark ink, appearing to be 'P.P. Wainscott', written over a horizontal line.

P.P. Wainscott
Secretary

10th July 1997

TRAFFORD CENTRE DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31st March 1997

	Note	1997 £	1996 £
Turnover	2	8,264,806	9,472,991
Operating profit	2	8,071,956	700,164
Net interest receivable	4	9,662	20,759
Profit on ordinary activities before taxation		8,081,618	720,923
Tax on profit on ordinary activities	5	(2,730,218)	(193,088)
Profit on ordinary activities after taxation		5,351,400	527,835
Dividends on equity share capital	6	(6,000,000)	-
(Absorbed loss)/retained profit for the financial year transferred to reserves	14	(648,600)	527,835

All the above results derive from continuing activities and there were no acquisitions in the year.

The statement of accounting policies and the notes on pages 7 to 13 form an integral part of these financial statements.

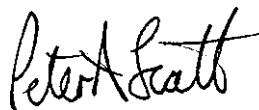
TRAFFORD CENTRE DEVELOPMENTS LIMITED

BALANCE SHEET
as at 31st March 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets			
Other fixed assets	8	15,800	2,890
Investments	9	2	2
		<u>15,802</u>	<u>2,892</u>
Current assets			
Stocks	10	55,097,382	4,329,283
Debtors due within one year	11	64,098,191	63,082,051
Cash at bank and in hand		369,055	-
		<u>119,564,628</u>	<u>67,411,334</u>
Creditors (amounts falling due within one year)	12	(110,503,798)	(57,688,994)
Net current assets		<u>9,060,830</u>	<u>9,722,340</u>
Net assets		<u>9,076,632</u>	<u>9,725,232</u>
Financed by capital and reserves			
Called up share capital	13	6,100,000	6,100,000
Share premium account		2,365,000	2,365,000
Profit and loss account	14	611,632	1,260,232
Shareholders' funds		<u>9,076,632</u>	<u>9,725,232</u>
Analysis of shareholders' funds			
Equity		3,076,632	3,725,232
Non-equity		6,000,000	6,000,000
		<u>9,076,632</u>	<u>9,725,232</u>

Approved by the board of directors on 10th July 1997

P.A. Scott



Director

The statement of accounting policies and the notes on pages 7 to 13 form an integral part of these financial statements.

TRAFFORD CENTRE DEVELOPMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31st March 1997

There have been no recognised gains and losses other than the result for the year.

NOTE OF HISTORICAL COST PROFITS
for the year ended 31st March 1997

There is no material difference between the result as reported and on an historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31st March 1997

	Note	1997 £	1996 £
Profit for the financial year		5,351,400	527,835
Dividend paid	6	(6,000,000)	-
Net movement in shareholders' funds		<u>(648,600)</u>	<u>527,835</u>
Shareholders' funds at 1st April 1996/1st April 1995		<u>9,725,232</u>	<u>9,197,397</u>
Shareholders' funds at 31st March 1997/31st March 1996		<u><u>9,076,632</u></u>	<u><u>9,725,232</u></u>

The statement of accounting policies and the notes on pages 7 to 13 form an integral part of these financial statements.

TRAFFORD CENTRE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st March 1997

1. Accounting Policies

Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts have not been prepared as permitted by Section 228 of the Companies Act 1985 as the company itself is a wholly owned subsidiary of a body corporate incorporated in the United Kingdom. The financial statements thus provide information about the company as a single entity and not about its group.

Related party disclosures

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed details of transactions with fellow wholly-owned undertakings within the Peel Holdings p.l.c. group of companies.

Cash Flow Statement

The financial statements do not include a cash flow statement as the holding company is a wholly owned subsidiary undertaking of the Peel Holdings p.l.c. group of companies. Peel Holdings p.l.c. is a company incorporated and registered in England which produces group financial statements in accordance with the Companies Act 1985, which include a consolidated group cash flow statement.

Interest

Interest attributable to property trading and development activities and investment properties in the course of development is included in the cost thereof provided the directors consider it prudent having regard to the prevailing market conditions. Interest is capitalised on a simple interest basis without allowing for any tax relief thereon.

Depreciation

Plant and vehicles are depreciated by equal annual instalments over their expected useful economic lives at rates varying between 15% and 25% per annum.

Fixed Asset Investments in Subsidiary Undertakings

Fixed asset investments in subsidiary undertakings are stated at cost less amounts provided for permanent diminutions in value. Cost represents the aggregate cash consideration, costs incurred and either the fair value or the nominal value of shares issued.

Stocks

Stocks are stated at the lower of cost, including attributable overheads, to the group or estimated net realisable value. Land for development and properties acquired are accounted for with effect from the date of legal completion of the contract to purchase.

Deferred Taxation

Provision is made for deferred taxation only to the extent that, in the opinion of the directors, a liability is expected to arise in the foreseeable future. Advance corporation tax which is not expected to be relieved against taxation liabilities arising within 12 months of the balance sheet date or which cannot be offset against the deferred tax provision is charged to the profit and loss account.

TRAFFORD CENTRE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

1. Accounting Policies (continued)**Turnover**

Property trading and development turnover comprises property disposals (which are accounted for on a legal completion basis) together with rental income, including rental premiums, and development fees.

Turnover excludes sales related taxes.

2. Segmental Analysis of Turnover and Operating Profit

	1997 £	1996 £
Turnover		
Gross rental income	14,492	10,637
Trading property sales	8,250,314	9,462,354
	<u>8,264,806</u>	<u>9,472,991</u>
Direct costs		
Irrecoverable property costs	(3,063)	(6,660)
Trading property costs	(1,283)	(8,644,805)
	<u>(4,346)</u>	<u>(8,651,465)</u>
Gross profit	8,260,460	821,526
Administration expenses	(202,801)	(121,362)
Other income	14,297	-
Operating profit	<u>8,071,956</u>	<u>700,164</u>

All of the company's turnover and operating profit arose in the United Kingdom on its property development activities.

3. Profit on Ordinary Activities before Interest and Taxation

	1997 £	1996 £
Profit on ordinary activities before interest and taxation is stated after charging:		
Depreciation	<u>3,012</u>	<u>193</u>

TRAFFORD CENTRE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

4. Net Interest Receivable

	1997 £	1996 £
Interest payable on bank loans and overdrafts	(61)	(538)
Interest receivable and similar income	106,053	21,297
Less : Transferred to work in progress	(96,330)	-
	<u>9,662</u>	<u>20,759</u>

5. Tax on Profit on Ordinary Activities

	1997 £	1996 £
Corporation tax at 33% (1996:33%) on the profit for the financial year adjusted for corporation tax purposes	<u>2,730,218</u>	<u>193,088</u>

6. Dividends

	1997 £	1996 £
Equity		
Ordinary £60 per share (1996:£Nil per share)	<u>6,000,000</u>	<u>-</u>

The immediate holding company, Peel Holdings p.l.c., has waived its rights to the current year redeemable preference dividend.

7. Particulars of Staff

	1997 £	1996 £
Staff costs		
Wages and salaries	500,409	327,775
Social security costs	45,930	30,999
Pension costs	-	9,720
	<u>546,339</u>	<u>368,494</u>
Less: Capitalised	<u>(342,629)</u>	<u>(257,802)</u>
	<u>203,710</u>	<u>110,692</u>

Staff costs include an amount of £203,710 recharged from Peel Investments (North) Limited (1996:£110,692).

TRAFFORD CENTRE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

7. Particulars of Staff (continued)

The average number of persons employed by the company during the year, exclusive of executive directors was 15 (1996: 13). No director received any emoluments for their services to the company (1996: £Nil).

8. Other Fixed Assets

	Plant and vehicles £
Cost:	
At 1st April 1996	3,083
Additions	15,922
At 31st March 1997	<u>19,005</u>
Depreciation:	
At 1st April 1996	193
Charge for the year	3,012
At 31st March 1997	<u>3,205</u>
Net Book Value:	
At 31st March 1997	<u>15,800</u>
At 31st March 1996	<u>2,890</u>

9. Fixed Asset Investments

	Subsidiary undertakings £
At 1st April 1996 and 31st March 1997	<u>2</u>

Details of investments of the company in its principal subsidiary are given on page 14.

10. Stocks

	1997 £	1996 £
Land held for development	185,750	185,750
Work in progress and materials	54,911,632	4,143,533
	<u>55,097,382</u>	<u>4,329,283</u>

Stocks include £259,271 of capitalised interest (1996: £355,601)

TRAFFORD CENTRE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

11. Debtors due within one year

	1997	1996
	£	£
Trade debtors	1,249,071	344,278
Amounts owed by group undertakings	62,824,624	62,416,155
Other debtors	24,420	236,484
Development deposits and prepaid costs	76	85,134
	<u>64,098,191</u>	<u>63,082,051</u>

12. Creditors (amounts falling due within one year)

	1997	1996
	£	£
Bank loans and overdrafts	9	24,656
Trade creditors	6,940,761	122,501
Anticipated development costs to site completion	170,278	-
Amounts owed to group undertakings	95,996,858	50,192,174
Other creditors	7,360,213	7,349,663
Other taxes and social security	11,471	-
Accruals and deferred income	24,208	-
	<u>110,503,798</u>	<u>57,688,994</u>

TRAFFORD CENTRE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

13. Called up Share Capital

Authorised Allotted and Fully Paid Number		1997 £	1996 £
	Equity share capital		
100,000	Ordinary shares of £1 each	100,000	100,000
	Non-equity share capital		
6,000,000	Preference shares of £1 each	6,000,000	6,000,000
<u>6,100,000</u>		<u>6,100,000</u>	<u>6,100,000</u>

The holders of 10% net Cumulative Redeemable preference shares ('Preference Shares') are entitled to be paid, in priority to any other class of share, a fixed cumulative preference dividend at the rate of 10% (net) per annum on the amount for the time being paid up or credited as paid up thereon, payable half yearly in equal amounts.

The holders of preference shares are entitled to receive notice of and attend any General Meeting, but are not entitled to vote on any resolution (other than a resolution to wind up the company or to reduce its share capital or to vary the rights attaching to such shares) unless at the date of the notice convening such meeting, the preferential dividend is 12 months or more in arrears.

On winding up of the company, or other return of capital, the holders of preference shares are entitled to receive, ranking in priority to any other class of shares of the company, the capital paid up on such preference shares together with a sum equal to any arrears or accruals of the fixed dividend.

The company shall redeem all or any of the unredeemed preference shares on 31st December 2000, and shall be entitled to redeem any preference shares earlier at the option of the company in tranches of 500,000 shares. On redemption the holders are entitled to receive any accrual or arrears of preference dividend.

14. Reserves

	Profit and loss account £
At 1st April 1996	1,260,232
Absorbed loss for the year	(648,600)
At 31st March 1997	<u>611,632</u>

15. Contingent Liabilities

- At 31st March 1997, the company had guaranteed reserved bank loans of the intermediate holding company, Peel Holdings p.l.c. amounting to £Nil (1996: £70,000,000).
- At 31st March 1997 the company's banks had provided road bonds and guarantees amounting to £52,145 (1996: £960,000).

TRAFFORD CENTRE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

16. Holding Companies

The ultimate holding company is Tokenhouse Holdings Limited, a company incorporated in Guernsey.

The largest group of undertakings, of which the group is a member, that produces consolidated accounts is Peel Holdings p.l.c., a company registered in England. Its group accounts are available from the Company Secretary, Peel Holdings p.l.c. at Quay West, Trafford Wharf Road, Manchester M17 1PL.

TRAFFORD CENTRE DEVELOPMENTS LIMITED
SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Subsidiary Undertaking

The subsidiary undertaking as at 31st March 1997 which was wholly-owned was:

Incorporated, registered and operating in:	Company	Principal activities
United Kingdom	Peel Developments (Cambuslang) Limited	Dormant

Shares in the principal trading subsidiary undertaking at 31st March 1997 represented ordinary shares.

TRAFFORD CENTRE DEVELOPMENTS LIMITED

AUDITORS' REPORT

to the shareholders of Trafford Centre Developments Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost accounting convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 circumstances of the company, 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 as at 31st March 1997 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn,
Chartered Accountants
Registered Auditors
Bank House
9 Charlotte Street
Manchester
M1 4EU



10th July 1997