

**STARMOUNT (SECURITIES) LIMITED AND
SUBSIDIARIES**

FINANCIAL STATEMENTS

FOR

30 NOVEMBER 2002

Company Registration Number 00528421



CLAYTON STARK & CO
Chartered Accountants & Registered Auditors
5th Floor Charles House
108 - 110 Finchley Road
London NW3 5JJ

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

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STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Sir S Sternberg
Mr M A M Slowe
Lady H Sternberg
Mrs V J Slowe
Mr M V Sternberg

Company secretary

Mr M A M Slowe

Registered office

5th Floor Charles House
108-110 Finchley Road
London NW3 5JJ

Auditors

Clayton Stark & Co
Chartered Accountants
& Registered Auditors
5th Floor Charles House
108 - 110 Finchley Road
London NW3 5JJ

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

THE DIRECTORS' REPORT

YEAR ENDED 30 NOVEMBER 2002

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 30 November 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is that of property investment and to act as a holding company. The principal activities of the main subsidiaries are property dealing, estate management and surveying and developing and investing in properties.

Details of the results are set out in the annexed consolidated profit and loss account. The state of the affairs of the group, which the directors consider to be satisfactory, is set out in the annexed consolidated balance sheet. The profit of the group for the year after taxation was £2,488,903. After deducting dividends paid of £89,999 the retained profit for the year was £2,398,904.

During the period under review, the company transferred a plot of land for development purposes to one of its subsidiaries at a valuation of £4 million and it has embarked on a major construction project to develop shopping and leisure facilities.

DIVIDENDS

Two interim dividends of £105.633 per share on each occasion on both the 'A' and 'B' ordinary shares were paid on 1 November 2002 and 30 November 2002 respectively. The directors do not recommend the payment of a final dividend. The payments of these dividends amounted to £89,999.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 30 November 2002	At 1 December 2001
Sir S Sternberg	'A' Ordinary	211	211
Mr M A M Slowe		—	—
Lady H Sternberg	'A' Ordinary	1	1
Mrs V J Slowe		—	—
Mr M V Sternberg	'A' Ordinary	<u>25</u>	<u>25</u>

Mrs V J Slowe has an interest in a family trust which held 30 'B' Ordinary shares in the company at 30 November 2002 (2001 - 30 'B' Ordinary shares).

FIXED ASSETS

The acquisition and disposal of fixed assets are recorded in the notes to the financial statements.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 NOVEMBER 2002

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 the group at the end of the year and of the profit or loss of the group for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 11 to 12, 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 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 company and the group to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DONATIONS

During the year the group made the following contributions:

	2002	2001
	£	£
Charitable	<u>200</u>	<u>700</u>

AUDITORS

A resolution to re-appoint Clayton Stark & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
5th Floor Charles House
108-110 Finchley Road
London NW3 5JJ

Signed by order of the directors



MR M A M SLOWE
Company Secretary

Approved by the directors on 23 SEP 2003

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 30 NOVEMBER 2002**

We have audited the financial statements on pages 5 to 21 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 11 to 12.

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 auditor's 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 company's members as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 on page 3.

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 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 and the group 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. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

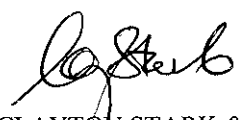
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 of the group as at 30 November 2002 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

5th Floor Charles House
108 - 110 Finchley Road
London NW3 5JJ



CLAYTON STARK & CO
Chartered Accountants
& Registered Auditors

24 SEP 2003

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**CONSOLIDATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 NOVEMBER 2002**

	Note	2002 £	2001 £
TURNOVER	2	4,995,544	4,769,328
Cost of sales		(771,287)	(623,615)
GROSS PROFIT		4,224,257	4,145,713
Administrative expenses		(1,331,195)	(1,232,575)
Other operating income - profit on disposal of tangible fixed assets		1,161,735	5,837
OPERATING PROFIT	3	4,054,797	2,918,975
Interest receivable and similar income		61,921	36,446
Interest payable	6	(440,116)	(615,120)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,676,602	2,340,301
Tax on profit on ordinary activities	7	(1,187,699)	(706,877)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,488,903	1,633,424
Dividends	8	(89,999)	(89,999)
RETAINED PROFIT FOR THE FINANCIAL YEAR		2,398,904	1,543,425
Earnings per share	9	£5,842.5	£3,834.3

PROFIT AFTER TAXATION

Profit after taxation amounting to £2,668,984 (2001 - £1,624,179), after taking account of dividends from a subsidiary undertaking, has been dealt with in the financial statements of the holding company.

CONTINUING OPERATIONS

None of the Group's activities were acquired or discontinued during the above two financial years.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 30 NOVEMBER 2002

	2002 £	2001 £
Profit for the financial year attributable to the shareholders	2,488,903	1,633,424
Unrealised profit on revaluation of investment properties	2,815,392	620,392
Current year consolidation adjustment (see note 21)	229,065	—
Total gains and losses recognised since the last annual report	<u>5,533,360</u>	<u>2,253,816</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	2,488,903	1,633,424
Dividends	(89,999)	(89,999)
	<u>2,398,904</u>	<u>1,543,425</u>
Other net recognised gains and losses	2,815,392	620,392
Current year consolidation adjustment (see note 21)	229,065	—
Net addition to funds	<u>5,443,361</u>	<u>2,163,817</u>
Opening shareholders' equity funds	16,355,171	14,191,354
Closing shareholders' equity funds	<u>21,798,532</u>	<u>16,355,171</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2002 £	2001 £
Reported profit on ordinary activities before taxation	3,676,602	2,340,301
Realisation of property revaluation surpluses of previous years	1,875,346	12,200
Historical cost profit on ordinary activities before taxation	<u>5,551,948</u>	<u>2,352,501</u>
Historical cost profit for the year retained after taxation and dividends	<u>4,274,250</u>	<u>1,555,625</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**BALANCE SHEET – CONSOLIDATED****30 NOVEMBER 2002**

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	10	26,628,236	20,968,910
Investments	11	301	301
		<u>26,628,537</u>	<u>20,969,211</u>
CURRENT ASSETS			
Stocks	12	3,524,159	4,378,839
Debtors	13	724,773	249,476
Cash at bank and in hand		74,837	57,894
		<u>4,323,769</u>	<u>4,686,209</u>
CREDITORS: Amounts falling due within one year	15	<u>(2,688,259)</u>	<u>(2,471,647)</u>
NET CURRENT ASSETS		<u>1,635,510</u>	<u>2,214,562</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,264,047</u>	<u>23,183,773</u>
CREDITORS: Amounts falling due after more than one year	16	<u>(6,465,515)</u>	<u>(6,828,602)</u>
		<u>21,798,532</u>	<u>16,355,171</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	426	426
Share premium account		41,061	41,061
Revaluation reserve	21	4,992,143	3,823,032
Profit and Loss Account	22	16,764,902	12,490,652
SHAREHOLDERS' FUNDS		<u>21,798,532</u>	<u>16,355,171</u>

These financial statements were approved by the directors on the **23 SEP 2003** and are signed on their behalf by:

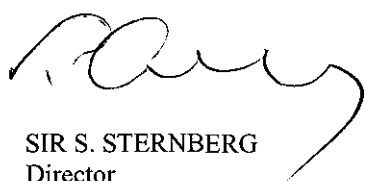


SIR S STERNBERG
Director

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**BALANCE SHEET – HOLDING COMPANY****30 NOVEMBER 2002**

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	10	17,053,000	20,801,000
Investments at cost	11	454	453
		<u>17,053,454</u>	<u>20,801,453</u>
CURRENT ASSETS			
Debtors	13	10,516,151	596,226
Cash at bank		89	60
		<u>10,516,240</u>	<u>596,286</u>
CREDITORS: Amounts falling due within one year	15	<u>(6,804,796)</u>	<u>(6,022,863)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>3,711,444</u>	<u>(5,426,577)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,764,898</u>	<u>15,374,876</u>
CREDITORS: Amounts falling due after more than one year	16	<u>—</u>	<u>(20,000)</u>
		<u>20,764,898</u>	<u>15,354,876</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	426	426
Share premium account		41,061	41,061
Revaluation reserve	21	6,637,383	4,175,010
Profit and Loss Account	22	14,086,028	11,138,379
SHAREHOLDERS' FUNDS		<u>20,764,898</u>	<u>15,354,876</u>

These financial statements were approved by the directors on the **23 SEP 2003** and are signed on their behalf by:



SIR S. STERNBERG
Director

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT

YEAR ENDED 30 NOVEMBER 2002

	2002	2001
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,243,211	3,024,583
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	60,361	37,434
Interest paid	(446,713)	(650,396)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(386,352)	(612,962)
TAXATION	(885,937)	(585,000)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(6,450,698)	(189,192)
Consolidation adjustment (see note 21)	229,065	-
	(6,221,633)	(189,192)
Receipts from sale of fixed assets	4,721,639	79,087
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(1,499,994)	(110,105)
EQUITY DIVIDENDS PAID	(89,999)	(89,999)
CASH INFLOW BEFORE FINANCING	380,929	1,626,517
FINANCING		
Repayment of debenture loans	(20,000)	(500,000)
New bank loan	506,913	-
Repayment of bank loan	(850,000)	(850,000)
NET CASH OUTFLOW FROM FINANCING	(363,087)	(1,350,000)
INCREASE IN CASH	17,842	276,517

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating profit	4,054,797	2,918,975
Depreciation	46,860	52,684
Profit on disposal of fixed assets	(1,161,735)	(2,257)
Decrease in stocks	854,680	100,913
(Increase)/Decrease in debtors	(406,755)	23,180
Decrease in creditors	(144,636)	(68,912)
Net cash inflow from operating activities	3,243,211	3,024,583

The notes on pages 11 to 21 form part of these financial statements.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 30 NOVEMBER 2002

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002		2001	
	£	£	£	£
Increase in cash in the period	17,842		276,517	
Net cash outflow from debentures	20,000		500,000	
Net cash outflow from bank loans	343,087		850,000	
		380,929		1,626,517
Change in net debt		380,929		1,626,517
Net debt at 1 December 2001		(7,623,639)		(9,250,156)
Net debt at 30 November 2002		<u>(7,242,710)</u>		<u>(7,623,639)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Dec 2001 £	Cash flows £	At 30 Nov 2002 £
Net cash:			
Cash in hand and at bank	57,894	16,943	74,837
Overdrafts	(2,931)	899	(2,032)
	<u>54,963</u>	<u>17,842</u>	<u>72,805</u>
Debt:			
Debt due within 1 year	(850,000)	—	(850,000)
Debt due after 1 year	(6,828,602)	363,087	(6,465,515)
	<u>(7,678,602)</u>	<u>363,087</u>	<u>(7,315,515)</u>
Net debt	<u>(7,623,639)</u>	<u>380,929</u>	<u>(7,242,710)</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Therefore, certain fixed assets are not depreciated in accordance with the Companies Act as explained in the depreciation policy note.

In particular, a consolidation adjustment is made to eliminate "intra-group" profit/(loss) on transfer of properties from a subsidiary company's stock of properties to the parent company's portfolio of investment properties. When applicable, such adjustment is taken to the revaluation reserve in the year in which it arises.

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the company and its subsidiary undertakings. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

Goodwill arising on consolidation and representing the excess of the purchase price over the fair value of the net assets acquired has previously been written off against reserves and, as permitted FRS10, has not been reinstated in the balance sheet.

Turnover

All sales of trading properties are stated net of value added tax and costs incurred on their disposal, and recognised where contracts have been completed during the accounting period.

Rents and service charges and fees receivable are stated gross of any expenses incurred in providing the services but excluding value added tax.

Property and refurbishment costs

Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the profit and loss account as costs of sales. Costs incurred in the improvement of the portfolio which, in the opinion of the directors, are not of a capital nature are written off to the profit and loss account as incurred.

Capitalisation of finance costs

Finance costs including bank loan interest payable incurred in respect of assets in the course of construction are capitalised during the period of development.

Administration expenses

All costs not directly attributable to the individual properties are treated as administration expenses.

Properties

Trading properties are included at the lower of cost and net realisable value.

Investment properties are shown at their market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless, a deficit or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Disposals of investment and trading properties are recognised where contracts have been completed during the accounting period. Net surpluses in excess of book values arising on the sale of investment properties are taken to the profit and loss account.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

1. ACCOUNTING POLICIES (*continued*)

Depreciation

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

The Group's policy is to provide depreciation on all fixed assets other than on investment properties as stated above. The rates used are calculated to write off the cost of each asset over their estimated useful lives as follows:

Leasehold property	over the term of the lease
Motor vehicles	25% on reducing balance
Fixtures and equipment	20% straight line

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss account.

Stocks

Stock of properties has been valued by the directors at the lower of cost and net realisable value on a basis consistent with previous years.

Pension costs

Pension scheme contributions charged to the Group's profit and loss account are paid into individuals' pension schemes.

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred 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 exception that 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 taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax 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.

No provision is made for tax on capital gains which would arise if investment properties owned by the group were to be realised at the amounts at which they are stated in the accounts. An estimate of the potential liability is given in note 10. Provision is only made for deferred tax if the directors expect liabilities to arise in the foreseeable future.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

2. TURNOVER

Turnover, all of which derives from the United Kingdom, comprises the following :-

	2002 £	2001 £
Sale of properties	596,506	466,338
Rents, insurances and service charges receivable	3,452,426	3,514,478
Premiums received on leases taken over	44,195	-
Fees and commissions receivable	902,417	788,512
	<u>4,995,544</u>	<u>4,769,328</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Depreciation	46,860	52,684
Profit on disposal of fixed assets	(1,161,735)	(5,837)
Auditors' remuneration		
- as auditors	24,000	20,000
- for other services	50,720	38,300
	<u>50,720</u>	<u>38,300</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002 No.	2001 No.
Number of administrative staff	<u>16</u>	<u>17</u>

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	872,184	806,333
Social security costs	104,570	97,182
Other pension costs	36,379	36,831
	<u>1,013,133</u>	<u>940,346</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Emoluments receivable	<u>398,904</u>	<u>373,203</u>
Emoluments of highest paid director:		
Total emoluments (excluding pension contributions):	<u>280,580</u>	<u>262,644</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

6. INTEREST PAYABLE

	2002 £	2001 £
Interest payable on bank borrowing	439,079	587,699
Interest payable on other loans	1,037	27,421
	<u>440,116</u>	<u>615,120</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2002 £	2001 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	1,270,000	700,000
Over/under provision in prior year	(15,319)	6,877
Total current tax	<u>1,254,681</u>	<u>706,877</u>
Deferred tax:		
Decrease in deferred tax provision (note 14)		
Post year end gains taxable in current year	(66,982)	—
Tax on profit on ordinary activities	<u>1,187,699</u>	<u>706,877</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>3,676,602</u>	<u>2,340,301</u>
Profit/(loss) on ordinary activities at a rate of tax of 30%	1,102,981	702,090
Effects of:		
Expenses not deductible for tax purposes	1,055	2,545
Capital allowances in excess of depreciation and related adjustments	(1,731)	—
Depreciation and related adjustments in excess of capital allowances	—	1,129
Taxable gains in excess of profit on disposals per accounts	178,588	548
Tax relief for interest and finance costs capitalised to asset in the course of construction	(82,681)	—
Profit assessable on transfer from stock of properties to investment property portfolio	68,720	—
Adjustment in respect of expenditure required to be capitalised taxed in previous years	—	(21,631)
Rounding on corporation tax provision	3,068	15,319
Adjustment to tax charge in respect of previous years	(15,319)	6,877
Total current tax (note 7(a))	<u>1,254,681</u>	<u>706,877</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

8. DIVIDENDS

The following dividends have been paid in respect of the year:

	2002 £	2001 £
Dividend paid on ordinary shares	<u>89,999</u>	<u>89,999</u>

9. EARNINGS PER SHARE

	2002 <u>5,842.5</u>	2001 <u>3,834.3</u>
Earnings per ordinary share		

Earnings per share have been calculated on the net basis on the profit on ordinary activities after taxation of £2,488,903 (2001 - £1,633,424) using the average number of ordinary shares in issue of 426 (2001 - 426).

10. TANGIBLE FIXED ASSETS

	Investment properties £	Investment property in the course of construction	Leasehold Property £	Motor Vehicles £	Fixtures & Equipment £	Total £
COST OR VALUATION						
At 1 Dec 2001	20,801,000	—	6,118	162,897	201,461	21,171,476
Transfer to subsidiary	(4,015,645)	4,015,645	—	—	—	—
Transfer from stock of subsidiary	935,000	—	—	—	—	935,000
Additions	16,955	5,408,973	—	72,032	17,738	5,515,698
Disposals	(3,515,347)	—	—	(66,057)	—	(3,581,404)
Revaluation	2,831,037	(15,645)	—	—	—	2,815,392
At 30 Nov 2002	<u>17,053,000</u>	<u>9,408,973</u>	<u>6,118</u>	<u>168,872</u>	<u>219,199</u>	<u>26,856,162</u>
DEPRECIATION						
At 1 Dec 2001	—	—	1,886	52,894	147,786	202,566
Charge for the year	—	—	82	29,399	17,379	46,860
On disposals	—	—	—	(21,500)	—	(21,500)
At 30 Nov 2002	<u>—</u>	<u>—</u>	<u>1,968</u>	<u>60,793</u>	<u>165,165</u>	<u>227,926</u>
NET BOOK VALUE						
At 30 Nov 2002	<u>17,053,000</u>	<u>9,408,973</u>	<u>4,150</u>	<u>108,079</u>	<u>54,034</u>	<u>26,628,236</u>
At 30 Nov 2001	<u>20,801,000</u>	<u>—</u>	<u>4,232</u>	<u>110,003</u>	<u>53,675</u>	<u>20,968,910</u>

All the investment properties, except the investment property in the course of construction, are held by the holding company.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

10. TANGIBLE FIXED ASSETS (*continued*)

(ii) Company – Investment Properties

	Freehold £	Long Leasehold £	Total £
AT VALUATION			
At 1 December 2001	19,848,000	953,000	20,801,000
Transfer to subsidiary	(4,015,645)	-	(4,015,645)
Transfer from stock of subsidiary	935,000	-	935,000
Additions	16,955	-	16,955
Disposals	(3,515,347)	-	(3,515,347)
Revaluation	2,631,037	200,000	2,831,037
At 30 November 2002	15,900,000	1,153,000	17,053,000

Investment properties were valued on an open market basis at 30th November 2002 by Mr M Slowe, a director of the company who is also a Chartered Surveyor.

The accounts do not provide for any deferred tax liability in respect of investment properties. In the event of the sale of all of these properties at the amounts at which they are included in these accounts, it is estimated that an additional corporation tax liability amounting to approximately £1,000,000 (2001 - £530,000) would crystallise.

The historical cost of investment properties, including the investment property in the course of construction, at 30 November 2002 was £21,469,830 (2001 - £16,977,968).

11. INVESTMENTS

Group

	Total £
Unlisted investments at cost	
At 1 December 2001 and 30 November 2002	301

Company

	Investment in Subsidiaries £	Other Unlisted Investments £	Total £
COST			
At 1st December 2001	152	301	453
Additions	1	-	1
At 30th November 2002	153	301	454

The directors' valuation of the investments does not differ materially from that shown above except for the investment in subsidiaries which is consolidated.

The company's principal subsidiary undertakings are Martin Slowe Estates Limited whose principal activity is property dealing, estate management and surveying and Workstone Limited whose principal activity is developing investment properties. Both are wholly owned and incorporated in England and Wales.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

12. STOCKS

Group

	2002 £	2001 £
Stock of properties for resale	<u>3,524,159</u>	<u>4,378,839</u>

13. DEBTORS

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Trade debtors	161,331	114,577	39,709	40,285
Amount due from group undertaking	—	—	9,447,602	—
Dividend receivable from group undertaking	—	—	950,000	475,000
Other debtors	419,916	67,297	741	67,257
Prepayments and accrued income	76,544	67,602	11,117	13,684
Deferred taxation (note 14)	66,982	—	66,982	—
	<u>724,773</u>	<u>249,476</u>	<u>10,516,151</u>	<u>596,226</u>

The debtors above include the following amounts falling due after more than one year:

Group and company

	2002 £	2001 £
Other debtors	<u>—</u>	<u>58,681</u>

14. DEFERRED TAXATION

Group and company

	2002 £	2001 £
The movement in the deferred taxation account during the year was:		
Profit and Loss Account movement arising during the year	66,982	—
Balance carried forward	<u>66,982</u>	<u>—</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Post year end gains taxable in current year	66,982	—
	<u>66,982</u>	<u>—</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans and overdraft	852,032	852,931	—	—
Trade creditors	8,274	14,942	—	—
Amount due to group undertakings	—	—	6,049,280	5,411,633
Corporation tax	920,000	551,256	500,000	274,675
Other taxes and social security	34,120	178,960	42,146	46,384
Other creditors	423,157	390,204	9,373	17,463
Accruals and deferred income	450,676	483,354	203,997	272,708
	<u>2,688,259</u>	<u>2,471,647</u>	<u>6,804,796</u>	<u>6,022,863</u>

Details of the bank loans and overdraft are given in note 16.

16. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Debenture loans	—	20,000	—	20,000
Bank loans and overdrafts	6,244,413	6,587,500	—	—
Other creditors	221,102	221,102	—	—
	<u>6,465,515</u>	<u>6,828,602</u>	<u>—</u>	<u>20,000</u>

The outstanding debenture loans in respect of the **company** were repaid during the year and the related facilities were terminated.

The group has two bank loans.

In respect of the loan where the balance outstanding is £6,587,000 (2001 - £7,437,000) including the amount due within one year, interest is charged at 2% over LIBOR. The loan is repayable by equal quarterly instalments of £212,500 and is due to be repaid by 19 July 2010.

The other bank loan of £506,913 consists of an amount drawn on 1st August 2002 together with interest subsequently charged and capitalised in respect of a Development Facility of £8.5million to be repaid on a date which is the earlier of 1st February 2004 or the date occurring one month after Practical Completion of the development project. Under the terms of the loan facility, the group also has an Investment Facility of up to £11.7 million having regard, amongst other things, to lettings achieved in respect of the Property (once developed), to finance the repayment of the Development Facility and to provide finance for general corporate purposes. The loan under the Investment Facility is to be repaid within ten years from the date of the first drawing under the Facility by quarterly instalments of £115,625 commencing two years after the first drawing of the Facility, the balance together with all interest accrued and other sums payable to be repaid in full on the Final Repayment Date. The interest is charged quarterly at a rate of 2.25% over LIBOR in respect of the Development Facility. The interest on the Investment Facility will also be charged quarterly, but at a rate of 1.25% over LIBOR.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2002

16. CREDITORS: Amounts falling due after more than one year (continued)

The bank loans and overdraft are secured upon the group's investment properties and stock of properties for resale and also by fixed and floating charges over the other assets of the group.

Other creditors are repayable on demand, although it is anticipated that none of these will fall due for repayment within one year.

Additional disclosures relating to debenture loans and bank loans

The aggregate liabilities repayable in whole, otherwise than by instalments, and due for repayment after more than five years from the balance sheet date for both the **group and the company** are as follows:

	2002 £	2001 £
Debenture loans	—	20,000

The following aggregate liabilities repayable by instalments, some of which fall due for repayment after more than five years from the balance sheet date are as follows:

Group	2002 £	2001 £
Bank loan	6,587,500	7,437,500

17. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
In one year or less, or on demand	852,032	852,931	—	—
Between one and two years	1,356,913	850,000	—	—
Between two and five years	2,550,000	2,550,000	—	—
In five years or more	2,337,500	3,207,500	—	20,000
	<u>7,096,445</u>	<u>7,460,431</u>	<u>—</u>	<u>20,000</u>

The above liabilities comprise bank loans and an overdraft.

18. CONTINGENCIES

The activities of the main subsidiary company, Martin Slowe Estates Limited includes the management of estates and as a result it holds clients' funds in trust. During the year the funds held in trust for clients have been verified to amounts owing to clients and at 30 November 2002, this amounted to £331,346 (2001 - £276,812). In the event that there is a shortfall of funds, the company would have to meet this liability.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 NOVEMBER 2002

19. RELATED PARTY TRANSACTIONS

Finer Homes Limited is a company controlled by Sir Sigmund Sternberg, a director of the company. Mr M Slowe, Lady Hazel Sternberg and Mrs V J Slowe are also directors of the company. Copehead Limited is a company controlled by Mr M V Sternberg, a director of the company. Mr M V Sternberg also has a 49.5% interest in Strathgrove Limited.

Included in other creditors (amounts falling due within one year), are loans to Martin Slowe Estates Limited, a subsidiary of the company, by related parties as follows:

	2002 £	2001 £
Finer Homes Limited	250,000	—
Sir Sigmund Sternberg	718	718
Mr M Slowe	454	454
Lady Hazel Sternberg and Mrs V J Slowe (jointly)	<u>149,111</u>	<u>358,496</u>

Included in other creditors (amounts falling due after more than one year), is an interest-free loan to Martin Slowe Estates Limited by Finer Homes Limited of £221,102 (2001 - £221,102).

Rents payable by Martin Slowe Estates Limited to Finer Homes Limited in respect of its office premises amounted to £48,000 (2001 - £48,000).

Sales of properties to Finer Homes Limited by Martin Slowe Estates Limited and Starmount (Securities) Limited amounted to £40,000 (2001 - £NIL) and £655,501 (2001 - £NIL) respectively.

Martin Slowe Estates Limited also received £24,944 (2001 - £23,247) in management and professional fees in respect of the property portfolio of Finer Homes Limited.

Interest received by Martin Slowe Estates Limited from Finer Homes Limited on a short-term trading loan amounted to £NIL (2001 - £2,974).

Martin Slowe Estates Limited disposed of its interest in a leasehold property (consisting of a head lease), for £60,000 jointly to Lady Hazel Sternberg and Mrs V J Slowe, who were also the company's sub-lessees.

During the year, Starmount (Securities) Limited disposed of one half of its 50% interest for £176,625 in a property to Copehead Limited which owned the other 50% interest. Starmount (Securities) Limited also disposed of its remaining interest in the same property to Strathgrove Limited for £176,625.

Mr and Mrs A Karbritz, both employees of Martin Slowe Estates Limited, jointly purchased a property for £70,000. This property was one of several disposed of by that company in an auction held during the year.

20. SHARE CAPITAL

Authorised share capital:

	2002 £	2001 £
284 'A' Ordinary shares of £1 each	284	284
142 'B' Ordinary shares of £1 each	<u>142</u>	<u>142</u>
	<u>426</u>	<u>426</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 NOVEMBER 2002

20. SHARE CAPITAL(*continued*)

Allotted, called up and fully paid:

	2002		2001	
	No.	£	No.	£
'A' Ordinary shares	284	284	284	284
'B' Ordinary shares	142	142	142	142
	<u>426</u>	<u>426</u>	<u>426</u>	<u>426</u>

Both the 'A' and 'B' shares rank pari passu as one class for participation in the profits and assets of the company.

'A' shareholders have a right to appoint one director and 'B' shareholders have a right to appoint one director. There are currently 3 'A' directors and 2 'B' directors.

21. REVALUATION RESERVE

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Balance brought forward	3,823,032	3,214,840	4,175,010	3,566,818
Revaluation of fixed assets	2,815,392	620,392	2,831,037	620,392
Transfer to the Profit and Loss Account on realisation	(1,875,346)	(12,200)	(368,664)	(12,200)
Current year consolidation adjustment	229,065	—	—	—
Balance carried forward	<u>4,992,143</u>	<u>3,823,032</u>	<u>6,637,383</u>	<u>4,175,010</u>

As explained in note 1 under 'basis of accounting', the current year consolidation adjustment arises from the transfer of properties from a subsidiary's stock of properties to the parent company's portfolio of investment properties.

22. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Balance brought forward	12,490,652	10,935,027	11,138,379	9,591,999
Retained profit for the financial year	2,398,904	1,543,425	2,578,985	1,534,180
Transfer from revaluation reserve	1,875,346	12,200	368,664	12,200
Balance carried forward	<u>16,764,902</u>	<u>12,490,652</u>	<u>14,086,028</u>	<u>11,138,379</u>

23. CAPITAL COMMITMENTS

The capital commitment in respect of the contract relating to the asset under construction and development not provided for in these financial statements amounted to approximately a further £9 million as at 30th November 2002.